

5/24/77 [2]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/ att.	From Eisenhower to The President Re: relations with the International Labor Organization (16 pp.) enclosed in Hutcheson to Ray Marshall et al. 5/24/77 <i>OPENED 1/18/73</i>	5/23/77	A
memo	From Jody Powell to The President Re: SALT and Korea (2 pp.) enclosed in Hutcheson to Brzezinski and Powell 5/24/77	5/24/77	A

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of the Staff Sec.- Pres. Hand-writing File 5/24/77 [2] Box 27

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RETURN THIS RECEIPT IMMEDIATELY TO

Rick Hutcheson
West Wing - White House

REGISTRY NO.

UNCLASSIFIED DESCRIPTION
(Serial No., File No., Subject)

Comments from the President
on the Secretary's Memo

DATE

5/24/77

INCLOSURES

ADDRESSEE

The Honorable Ray Marshall
Secretary of Labor
Washington, D. C. 20210

*NOTE.—This sheet to be retained in Originator's suspense file until receipt has been
signed and returned; then this sheet should be destroyed.*

TITLE

CLASSIFIED MATERIAL RECEIPT

16-70499a-1 GPO

THE WHITE HOUSE
WASHINGTON

May 24, 1977

Secretary Marshall
Stu Eizenstat
Jack Watson

The attached was returned in the
President's outbox and is forwarded
to you for appropriate action.

Rick Hutcheson

cc: Z. Brzezinski

Re: Relations with the ILO

THE WHITE HOUSE
WASHINGTON

*confidential
attachment*

ACTION	FYI
--------	-----

	MONDALE
	COSTANZA
X	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
X	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

X	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
X	IMMEDIATE TURNAROUND

	ARAGON
	BOURNE
X	BRZEZINSKI
X	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

THE WHITE HOUSE

WASHINGTON

Date: May 23, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *attached*
Jack Watson *attached*
Zbigniew Brzezinski
Landon Butler *unw*

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Marshall memo 5/23 re U.S. Relations
with the International Labor Organization.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: IMMEDIATE TURNAROUND

DAY:

DATE:

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

~~CONFIDENTIAL ATTACHMENT~~

5/24
PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson
Jane Frank

RE: U.S. Relations with the
International Labor Organization

Ray's proposal is consistent with your earlier decision. In an April 1 memorandum we said:

...in a memorandum to you earlier this week on the I.L.O. (attached), we may have misled you unintentionally about the thrust of your proposed statement on that subject. Ray points out that certain foreign countries do not take seriously our threats to leave the I.L.O. Hence, Juanita, Cy and Ray were asking you to reaffirm that we will leave the I.L.O. unless certain changes occur. Is your decision still to "hold?"

Your notation was:

I'm prepared to leave I.L.O. absent reforms.

May 24, 1977

~~CONFIDENTIAL~~

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

23 MAY 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Ray Marshall, Secretary of Labor *RM*

Subject: U.S. Relations with the International Labor Organization (ILO)

Because of unfortunate trends in the ILO which disregarded the Organization's own principles and procedures, the U.S. Government, in agreement with the U.S. Chamber of Commerce and the AFL-CIO, submitted a letter on November 5, 1975 to the Director General of the ILO giving the required two years notice of intent to withdraw from the Organization. In the letter it was stated:

"The U.S. does not desire to leave the ILO. The U.S. does not expect to do so. But we do intend to make every possible effort to promote the conditions which will facilitate our continued participation. If this should prove impossible, we are in fact prepared to depart."

On February 19, 1977 the Secretaries of State, Labor and Commerce issued a joint statement stating that the views of the 1975 letter are still valid and that they will guide our actions and our ultimate decision in the months ahead.

Since the letter of November 5, 1975 we have made extraordinary efforts to obtain support from other members of the Organization. A Cabinet Level Committee, which I chair, has guided the strategy of our efforts. The U.S. Representative to the ILO, who is also Counsel to the Cabinet Level Committee, Daniel Horowitz, has visited the key countries in the various regions of the world for discussions with Foreign Ministers and Labor Ministers. We have made demarches to countries through our Embassies as follow-up to the visits.

Considerable progress has been made on a number of issues during the last eighteen months, particularly at the ILO Governing Body Session of February-March this year. Many of the issues, however, are coming to a head at the ILO Annual Conference which meets June 1 through 22. This Conference will therefore be crucial. The principal foreseeable issues are:

1. How the Conference will handle the question of the 1974 Conference resolution which condemned Israel for labor practices in the

~~CONFIDENTIAL~~

DECLASSIFIED

Per: Rac Project

ESDA: NLC-126-722-1-9

BY: *Q* NADA DATE 11/7/13

~~CONFIDENTIAL~~

- 2 -

occupied territories without investigation. Objective independent investigating mechanisms exist in the ILO and the 1974 resolution was a blatant violation of due process. The February-March Governing Body Session had decided to close the issue. It is our hope that the June Conference will avoid a formal action reiterating this condemnation without investigation.

2. On the U.S. initiative an amendment to the article in the Conference's regulations dealing with resolutions will be considered by the Conference, having been approved in the Governing Body. The amendment would make non-receivable resolutions which condemn countries on matters which have not first been investigated through existing mechanisms.

3. In past years the Conventions dealing with human rights in the labor field have been applied on a selective basis using political criteria. The result has been that a moratorium of action with respect to the Soviet Union and other East European countries. We have pressed for equal treatment of all members in these regards and we expect to do so at the June Conference.

During his just completed trip to Middle East countries, Horowitz discussed these issues, particularly the first two, in terms of obtaining support while protecting the interests of the Arab countries. The Egyptian Foreign Minister and Labor Minister have agreed that their representatives will meet with Horowitz in Geneva prior to the Conference to attempt to work out positions which would avoid a Conference result leading to U.S. possible withdrawal from the Organization. As Saudi Arabia and Egypt are the two countries carrying the greatest weight within the Arab caucus, to overcome the radical initiatives of Libya and Algeria, Saudi Arabia's position is crucial. Crown Prince Fahd and his Foreign Minister are coming to Washington for an official visit May 24 and 25.

RECOMMENDATIONS

1. I recommend that in your discussions or Secretary Vance's discussions with Crown Prince Fahd and his Foreign Minister you refer to the danger of the U.S. being pushed out of the ILO as a result of radical initiatives, and urge that he authorize his Labor Minister to seek means of finding common ground with the U.S. through discussions with Horowitz in Geneva prior to the Conference.

2. At the meeting of the Cabinet Level Committee on ILO held today, May 20, the issues and positions for the June Conference were reviewed. The Committee felt, and I agree, that it would be useful for our success in the Conference if you would issue the attached statement prior to the Conference.

Attachment

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

STATEMENT BY THE PRESIDENT

The question of U.S. relations with the ILO remains a matter of high priority and will remain under continuing review by a Cabinet Level Committee where, we hope, the AFL-CIO and the Chamber of Commerce will continue to play active roles.

Because of dissatisfaction in the U.S. Government and among labor and industry leaders with a number of unfortunate trends in the ILO, the U.S. submitted a letter on November 5, 1975 giving the required two-year notice of intent to withdraw from the Organization. In that letter, it was stated:

"The U.S. does not desire to leave the ILO. The U.S. does not expect to do so. But we do intend to make every possible effort to promote the conditions which will facilitate our continued participation. If this should prove impossible, we are in fact prepared to depart."

Those views are no less valid today. They will guide our actions and our ultimate decision in the critical months ahead.

#

ok
JC

~~CONFIDENTIAL~~

DECLASSIFIED
For: Rac Project
ESCA/NLC-66-7-22-1-9
BY: Q MADA, DATE 11/2/13

~~CONFIDENTIAL~~

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

23 MAY 1977

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FROM: Ray Marshall, Secretary of Labor

Subject: U.S. Relations with the International Labor Organization (ILO)

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DECLASSIFIED

Per: Rac Project

ESD: NLC-126-7-22-1-9

BY: Q MADA, DATE 11/2/13

~~CONFIDENTIAL~~

- 2 -

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Those views are no less valid today. They will guide our actions and our ultimate decision in the critical months ahead.

#

~~CONFIDENTIAL~~

DECLASSIFIED

Per: Rac Project

ESDA: NLC-626-7-22-1-9

BY Q NISA DATE 11/7/13

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

May 23, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: Marshall Memo 5/23/77
re: Relations with the
ILO

Marshall recommends:

- 1) That in upcoming discussions with Crown Prince Fahd of Saudia Arabia, that you ask his support in seeking a common position on questions coming before the ILO Conference on June 1. We need Saudia Arabian support in order to achieve a moderate resolution to the question of ILO condemnation of Israeli labor practices. *will do*
- 2) That you issue the attached statement reaffirming our position on membership in the ILO.

I concur with both his recommendations.

OTHER STAFF COMMENTS:

Butler concurs with Marshall.

Watson says Marshall's proposal is consistent with your earlier decision -- that you are "prepared to leave ILO absent reforms."

----Rick

THE WHITE HOUSE
WASHINGTON

ACTION	FYI		
		MONDALE	ENROLLED BILL
		COSTANZA	AGENCY REPORT
X		EIZENSTAT	CAB DECISION
		JORDAN	EXECUTIVE ORDER
		LIPSHUTZ	Comments due to
		MOORE	Carp/Huron within
		POWELL	48 hours; due to
X		WATSON <i>7 Marshall</i>	Staff Secretary
			next day

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON		KRAFT
	BOURNE		LANCE
X	BRZEZINSKI		LINDER
	BUTLER		MITCHELL
	CARP		POSTON
	H. CARTER		PRESS
	CLOUGH		B. RAINWATER
	FALLOWS		SCHLESINGER
	FIRST LADY		SCHNEIDERS
	GAMMILL		SCHULTZE
	HARDEN		SIEGEL
	HOYT		SMITH
	HUTCHESON		STRAUSS
	JAGODA		WELLS
	KING		VOORDE

Date: May 23, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jack Watson
Zbigniew Brzezinski
Landon Butler

FOR INFORMATION:

312

XC Camp Johnston

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Marshall memo 5/23 re U.S. Relations
with the International Labor Organization.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: IMMEDIATE TURNAROUND

DAY:

DATE:

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

~~CONFIDENTIAL ATTACHMENT~~

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

Date: May 23, 1977

MEMORANDUM MAY 23 REC'D

FOR ACTION:

Stu Eizenstat
Jack Watson
Zbigniew Brzezinski
Landon Butler ✓

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Marshall memo 5/23 re U.S. Relations
with the International Labor Organization.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: IMMEDIATE TURNAROUND

DAY:

DATE:

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☒ I concur.

☐ No comment.

Please note other comments below:

~~CONFIDENTIAL ATTACHMENT~~

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

U.S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

JUN 17 1977

Summarized

MEMORANDUM FOR: THE SECRETARY

FROM: *HNB* Herbert N. Blackman
Associate Dupty Under Secretary
International Affairs

SUBJECT: The ILO Conference

Attached is a brief summary of Conference Events through June 16. We will submit brief daily summaries through the end of the Conference on June 22.

Attachment

*This was
summarized in
The Laborer
notes*

N.L.

ILO CONFERENCE RESULTS THROUGH JUNE 16, 1977

ISRAEL

Initially, Arab delegates to the Conference seemed determined to force through a new resolution aimed at reviving ILO activities to implement a 1974 Conference resolution which had charged Israel with violating trade union rights in the occupied territories. The March 1977 Governing Body had terminated those activities over the protest of the Arabs. In an effort to find a compromise, the Director General on June 9th sent the Conference President a letter promising, among other things, to continue to report to the Conference in 1978 and 1979 on steps taken to implement the 1974 resolution. The U.S. Delegation understood that the Arabs, in accepting the Director General's letter, had agreed to pursue the investigation of Israel through legitimate channels, such as the Committee of Experts on the Application of Conventions and Recommendations.

That understanding now shows signs of deteriorating. In a speech to the Conference on June 15th, the Egyptian Ambassador insisted that the Director General's letter had repudiated the Governing Body's decision to close the book on the Israel investigation. On the same day, Arab delegates walked out of the Conference Committee on the Application of Conventions after flatly stating that the Committee of Experts had no role in the investigation of Israel.

Thus, the issue seems far from settled.

ARTICLE 17

Although the March 1977 Governing Body approved an amendment to Article 17 of the Conference Standing Orders designed to establish a new mechanism for screening out extraneous political resolutions, that amendment now has little chance for adoption by the Conference. On June 3rd the Conference rejected a recommendation, strongly supported by the U.S., to send the proposed amendment to the Standing Orders Committee. Instead,

the issue was relegated to the Structure Committee which, as expected, has all but buried it. Whatever hopes we had of getting positive consideration of the amendment are daily growing smaller as time runs out.

RESOLUTIONS

Among the resolutions submitted to the Conference, the worker delegate from Panama dropped in a resolution condemning the United States for discrimination in the Panama Canal Zone. Inherently political and representing yet another potential violation of due process in the ILO, the Panama Canal resolution nevertheless was selected as the fourth highest priority by the Resolutions Committee on June 8th. Since then, however, the work of the Committee has proceeded so slowly that the Committee may not reach consideration of the resolution until late on Saturday, June 18th. By rule, the Committee must terminate its activities no later than midnight on June 18th. Thus it appears unlikely that the Conference will act on the resolution.

STRUCTURE

For years the Conference has set up a Committee on Structure to consider proposals to change the ILO. Those discussions have yet to produce agreement on the most contentious structure issues, and this year appears to be no exception. The Committee has already discussed proposals to eliminate the ten states of chief industrial importance and the veto power over Constitutional amendments which those states collectively enjoy. No agreement was reached. Similarly, the Committee has not made progress on Article 17, reported above. The developing country members of the Committee on June 15th introduced a resolution saying that, if the 1978 Conference also fails to resolve the major structure issues, they will insist on convening a special Constitutional Conference. U.S. hopes for a more conciliatory dialogue on the structure issues now seem remote.

APPLICATION OF CONVENTIONS

After soundly defeating on June 7th a move by the USSR to eliminate the "special list" as a tool for citing major violations of ratified ILO conventions, the Committee has gone on to begin drafting special paragraphs critical of both the USSR and Czechoslovakia for their violations of Convention 87 (Freedom of Association) and Convention 111 (Discrimination in Employment) respectively. However, the conference refused to accept the Committee's report critical of the USSR and Czechoslovakia. Because of abstentions there was no quorum.

THE WHITE HOUSE
WASHINGTON

May 24, 1977

Stu Eizenstat
Bunny Mitchell
Jack Watson
Tim Kraft
Bert Lance

Re: Minority-Business Enterprises

The attached was returned in the President's
outbox and is forwarded to you for your
information and appropriate handling.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

ACTION	FYI		
		MONDALE	ENROLLED BILL
		COSTANZA	AGENCY REPORT
X		EIZENSTAT	CAB DECISION
		JORDAN	EXECUTIVE ORDER
		LIPSHUTZ	Comments due to
		MOORE	Carp/Huron within
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	FOR STAFFING
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X	FROM PRESIDENT'S OUTBOX
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	ARAGON	X	KRAFT
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	FALLOWS		SCHLESINGER
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	GAMMILL		SCHULTZE
	HARDEN		SIEGEL
	HOYT		SMITH
	HUTCHESON		STRAUSS
	JAGODA		WELLS
	KING		VOORDE

THE WHITE HOUSE
WASHINGTON

Mr. President:

Watson's comment is attached.
Lipshutz and Lance concur with
Eizenstat/Mitchell.

Rick

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 20, 1977

*Let Jack & Bunny have problem -
many work done -
Then advise re
WH meeting
Expedite
J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
BUNNY MITCHELL

SUBJECT:

Minority-Business
Enterprise

BACKGROUND

Recently, representatives of the minority business community met with us and expressed their interest in the Administration's policy regarding Federal minority business programs. They requested an indication of our commitment to these programs and of our proposals for future action in this area.

DISCUSSION

Pursuant to two Executive Orders a series of federal programs were established to spur the development of minority business enterprise. The Secretary of Commerce is the lead person in coordinating these programs. Central to the federal effort are the following:

1. Office of Minority Business Enterprise (OMBE) - located in the Department of Commerce, OMBE is the lead agency in developing opportunities for minority business enterprises in the public and private sector. It works closely with SBA, and it funds organizations which provide management and technical assistance to minority clients.
2. Small Business Administration (SBA) - assists minority business primarily through its Section 8(a) program. Under this program SBA contracts with other federal agencies for goods and services and subcontracts the actual work out to a socially or economically disadvantaged firm. A Minority Small Business Office operates within SBA. We have met with Vernon Weaver, who seems anxious to promote this facet of SBA's program.

3. Interagency Council for Minority Business Enterprise - chaired by the Under Secretary of Commerce and composed of under secretaries and deputy administrators from various agencies (about 25 people). It was established to coordinate and monitor federal efforts to assist minority business. The Council hasn't met since last November.

These efforts have been moderately successful prior to commencement of your Administration, though they were then hampered by a sluggish economy, misperceptions of them as welfare programs, and lack of serious Presidential commitment to them. Reorganization or consolidation of the minority business programs is being considered by OMB.

A revived and properly directed Interagency Council could serve the following purposes for the Administration:

- o recommend targets (areas/industries) for minority business initiatives
- o recommend solutions to problems affecting minority business (e.g., inadequate financing, insufficient management assistance)
- o provide the forum for minority business person input into policy development
- o advise on the impact of Administration programs on minority business (e.g., regulatory reform; energy plan; government reorganization)

The Council's function for minority business development would be much like that of the Urban Policy Task Force for urban development.

OPTIONS

1. Issue statement in support of federal minority business programs. Ask Secretary Kreps to convene the Interagency Council to inform them of your commitment to increased minority business development and to define the Council's role in meeting that commitment.

This puts the Administration on record favoring these programs, but it goes no further than actions taken by Nixon and Ford to demonstrate Presidential commitment.

2. Approve a White House meeting of the Interagency Council, at which time you could request that the Council assume the above mentioned duties to assist the development of a coherent Administration policy on minority business development. We would work with Secretary Kreps to set up this meeting, and to define the subsequent role for White House participants on this issue.

This would be the first time the Council has met in the White House since its creation 6 years ago. The invitation to meet and the request for subsequent action by the Council will probably lead to significant improvements in federal government programs for minority business enterprise.

We do not at this time see the need for additional, new programs, but rather the need to properly implement existing ones.

RECOMMENDATION

Option #2

_____ Agree

_____ Disagree

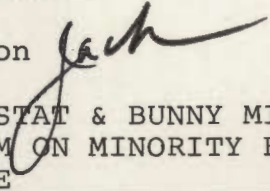
_____ Other

THE WHITE HOUSE

WASHINGTON

May 23, 1977

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson 

SUBJECT: STU EIZENSTAT & BUNNY MITCHELL'S
MEMORANDUM ON MINORITY BUSINESS
ENTERPRISE

I agree that our efforts in the minority business enterprise area need to be strengthened, and a White House meeting to highlight your interest in the subject is a good idea.

My reservation is that an interagency council of 25 people is too large and unwieldy to be very productive. Before calling a meeting of the interagency council for minority business enterprise, I suggest that we convene a small (perhaps 4 to 6 person) group to hammer out some of the major problems and log-jams in the existing programs and to outline a concrete set of things to be done. I suspect that work could be done fairly quickly by a small group. With that work in hand, we could then convene the interagency council and have you make a strong and substantive statement outlining what you would like to have done.

Since we are not talking about new legislation, but rather improving implementation of existing programs, it might be more appropriate for my staff rather than Stu's to work with Bunny on the project. (Stu has got his hands full already.)

THE WHITE HOUSE

WASHINGTON

Date: May 20, 1977

MEMORANDUM

FOR ACTION:

Bob Lipshutz *concur*

Jack Watson - *too large a group; instead 4-6 person, then large group. Since it deals*

Tim Kraft

Bert Lance - *concur - opt 2* *with existing legislation, LW office should do it*

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Stu Eizenstat/Bunny Mitchell memo 5/20 re Minority-Business Enterprise.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 7:00 P.M.

DAY: MONDAY

DATE: MAY 23, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

5/24

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THE WHITE HOUSE
WASHINGTON

ACTION
FYI

<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input checked="" type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	GAMMILL
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HOYT
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

<input checked="" type="checkbox"/>	KRAFT
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<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	B. RAINWATER
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	SCHULTZE
<input type="checkbox"/>	SIEGEL
<input type="checkbox"/>	SMITH
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	WELLS
<input type="checkbox"/>	VOORDE

Date: May 20, 1977

MEMORANDUM

FOR ACTION:

Bob Lipshutz ✓
Jack Watson
Tim Kraft
Bert Lance

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Stu Eizenstat/Bunny Mitchell memo 5/20 re Minority-Business Enterprise.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 7:00 P.M.

DAY: MONDAY

DATE: MAY 23, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☒ I concur.

☐ No comment.

Please note other comments below:

RAJ

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 23 1977

MEMORANDUM FOR: RICH HUTCHESON
FROM: DENNIS O. GREEN *DOG*
SUBJECT: Stu Eizenstat/Bunny Mitchell memorandum of
May 20, 1977, re: Minority Business Enterprise

This is in response to your request of May 20, 1977, for Director Lance's comments on the subject memorandum.

We have no objection to the recommended option #2, which would convene a White House meeting of the Interagency Council for Minority Enterprise.

Date: May 20, 1977

MEMORANDUM

FOR ACTION:

Bob Lipshutz
Jack Watson ✓
Tim Kraft
Bert Lance

FOR INFORMATION:

1977 MAY 21 AM 10 41

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Stu Eizenstat/Bunny Mitchell memo 5/20 re Minority-Business Enterprise.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 7:00 P.M.

DAY: MONDAY

DATE: MAY 23, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

81/s - 10/ES



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Date: 5/23/77

TO:

Dennis Green

FROM:

Denny

ACTION:

Recommendation _____
Approval/Signature _____
Comment _____
Information _____
File _____
Draft response for _____
Director's signature ☒ _____
Deputy Director's signature _____
For your handling _____
Let us Discuss _____

REMARKS:

#550

Date: May 20, 1977

MEMORANDUM

FOR ACTION:

Bob Lipshutz
Jack Watson
Tim Kraft
Bert Lance ✓

FOR INFORMATION:

RECEIVED
MAY 23 7 52 AM '77
IMMEDIATE OFFICE
OF THE DIRECTOR
O. M. B.

CB # 307

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Stu Eizenstat/Bunny Mitchell memo 5/20 re Minority-Business Enterprise.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 7:00 P.M.

DAY: MONDAY

DATE: MAY 23, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

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If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

May 20, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *SE*
BUNNY MITCHELL
SUBJECT: Minority-Business
Enterprise

BACKGROUND

Recently, representatives of the minority business community met with us and expressed their interest in the Administration's policy regarding Federal minority business programs. They requested an indication of our commitment to these programs and of our proposals for future action in this area.

DISCUSSION

Pursuant to two Executive Orders a series of federal programs were established to spur the development of minority business enterprise. The Secretary of Commerce is the lead person in coordinating these programs. Central to the federal effort are the following:

1. Office of Minority Business Enterprise (OMBE) - located in the Department of Commerce, OMBE is the lead agency in developing opportunities for minority business enterprises in the public and private sector. It works closely with SBA, and it funds organizations which provide management and technical assistance to minority clients.
2. Small Business Administration (SBA) - assists minority business primarily through its Section 8(a) program. Under this program SBA contracts with other federal agencies for goods and services and subcontracts the actual work out to a socially or economically disadvantaged firm. A Minority Small Business Office operates within SBA. We have met with Vernon Weaver, who seems anxious to promote this facet of SBA's program.

3. Interagency Council for Minority Business Enterprise - chaired by the Under Secretary of Commerce and composed of under secretaries and deputy administrators from various agencies (about 25 people). It was established to coordinate and monitor federal efforts to assist minority business. The Council hasn't met since last November.

These efforts have been moderately successful prior to commencement of your Administration, though they were then hampered by a sluggish economy, misperceptions of them as welfare programs, and lack of serious Presidential commitment to them. Reorganization or consolidation of the minority business programs is being considered by OMB.

A revived and properly directed Interagency Council could serve the following purposes for the Administration:

- o recommend targets (areas/industries) for minority business initiatives
- o recommend solutions to problems affecting minority business (e.g., inadequate financing, insufficient management assistance)
- o provide the forum for minority business person input into policy development
- o advise on the impact of Administration programs on minority business (e.g., regulatory reform; energy plan; government reorganization)

The Council's function for minority business development would be much like that of the Urban Policy Task Force for urban development.

OPTIONS

1. Issue statement in support of federal minority business programs. Ask Secretary Kreps to convene the Interagency Council to inform them of your commitment to increased minority business development and to define the Council's role in meeting that commitment.

This puts the Administration on record favoring these programs, but it goes no further than actions taken by Nixon and Ford to demonstrate Presidential commitment.

2. Approve a White House meeting of the Interagency Council, at which time you could request that the Council assume the above mentioned duties to assist the development of a coherent Administration policy on minority business development. We would work with Secretary Kreps to set up this meeting, and to define the subsequent role for White House participants on this issue.

This would be the first time the Council has met in the White House since its creation 6 years ago. The invitation to meet and the request for subsequent action by the Council will probably lead to significant improvements in federal government programs for minority business enterprise.

We do not at this time see the need for additional, new programs, but rather the need to properly implement existing ones.

RECOMMENDATION

Option #2

_____ Agree _____ Disagree _____ Other

THE WHITE HOUSE
WASHINGTON

*just a copy
of the comment - no need
to send whole memo*

ACTION	FYI
	MONDALE
	COSTANZA
X	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
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Comments due to
Carp/Huron within
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	FOR STAFFING
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X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON
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	CARP
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	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

Date: May 20, 1977

MEMORANDUM

FOR ACTION:

Bob Lipshutz
Jack Watson
Tim Kraft ✓
Bert Lance

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Stu Eizenstat/Bunny Mitchell memo 5/20 re Minority-Business Enterprise.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 7:00 P.M.

DAY: MONDAY

DATE: MAY 23, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

*just give
us 2 wks.
notice for WH
meeting if Pres. let
approves -
TK*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

May 24, 1977

Stu Eizenstat -

The attached was returned in the
President's outbox and is forwarded
to you for your information.

This was the only comment made
on the package.

Rick Hutcheson

Re: Meeting on Undocumented
Aliens

THE WHITE HOUSE
WASHINGTON

Bill

- 1) To close border
\$ 90 mil for 2 yrs
less to helicopter
- 2) Employer sanctions
 - a) sanctions - new
 - b) enforce present law
 - c) Process documents
- 3) Amnesty - Defer
Register as non-deportable
status
- 4) Work to other govt.

THE WHITE HOUSE
WASHINGTON

Marshall

Agree -

- a) Can't close borders
- b) 3.5 yrs on amnesty
- c) Employer sanction
- d) Temporary worker program

Christopher

IM 7, etc

Xfer - Petroleum

Trade

Population control

Consult \bar{E} Mexico on action

Lance

Costs can be high

THE WHITE HOUSE
WASHINGTON

Bonne
also focus on drugs/guns

Castillo

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

Tighten up border
Non deportable status
Process documents
Work in Mexico
Amnesty

Aragon

Lucey

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

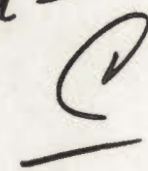
May 23, 1977

THE PRESIDENT HAS SEEN.

MEETING ON UNDOCUMENTED ALIENS

Tuesday, May 24, 1977
3:00 p.m.
The Cabinet Room

From: Stu Eizenstat

Stu - 

Good meeting -
We're getting
close

J

I. PURPOSE

To meet with the Cabinet Task Force and White House Staff to discuss the issues involved in formulating an Administration policy on undocumented aliens.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: The Cabinet Task Force, headed by Attorney General Bell and Secretary Marshall, submitted their report to you early this month. Your comments on the cover memorandum I attached to the report raised several issues and requested that points of disagreement be sharpened in preparation for this meeting.

B. Participants: See attached list (Tab A)

C. Press Plan: None

III. TALKING POINTS

See attached memorandum (Tab B)

OMB Resource Summary (Tab C)

Electrostatic Copy Made
for Preservation Purposes

3:00 p.m.
Tuesday

THE WHITE HOUSE
WASHINGTON

Susan -
Held orig for
coming mty on
undoc workers
J

Electrostatic Copy Made
for Preservation Purposes

cc: Griffin Bell
This is good common
sense -
J.C.

MAY 10, 1977

MEMORANDUM TO: President Carter

I mentioned to you the problem which has existed in the past of agencies spending heavily at the end of the fiscal year in order to use up all of their budgets.

I wish you would consider publicizing a rating system for agencies that you will have the OMB establish in effect rating the agencies as to their ability to handle money and use it wisely which you can take into account for future recommendations on appropriations. It could itemize the practices it considers acceptable. One item might state that every expenditure at the end of the budget year will be scrutinized with care. It could be further pointed out that programs which violate the standards will be scrutinized as to the feasibility of the program as well as competence of the persons responsible for the administration of the program.

After reading over the recommended program for Mexico's illegal alien problem, I told you I didn't much like the suggestions and I would like to give a few details.

In general, it seemed more like a compassionate program to reward the illegal aliens and Mexico for creating the problem rather than trying to solve the problem.

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for Preservation Purposes

In one place it sought justification for their illegal entry on the idea that they had families in Mexico and were just coming over to earn a little money to support their families. At another point they sought to justify amnesty on the idea that they had children in the United States and it thus established an equity. However, they recommended amnesty for all, whether they had established an equity or not, who fell within a certain time limit.

g agree

While you may desire at some point to recognize equities in some way, I think the plan recommended would merely increase the problem and encourage people to come and stay as long as they could and have as many children as they could.

Furthermore, everyone seemed to admit that they were not sure about their figures which ran from six to twelve million and most of their facts apparently were assumptions.

I would suggest that we first determine if we can stop the flow. If we can't stop the flow, it hardly makes any sense to legalize their entry.

✓

It was not indicated in the various reports that I read that any effort had been made to develop information from immigration and other officials who were actually working on the border.

A

γ

B

THE WHITE HOUSE

WASHINGTON

May 23, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Meeting of May 24, 1977 on
Undocumented Aliens

At the Los Angeles call-in show last week, you said that the undocumented aliens problem was one of the most difficult facing you. I cannot agree more. No issue that I have encountered since January 20 seems so to defy resolution. It is easy to understand why, as with energy, no other Administration attempted to develop a comprehensive policy.

For several months, four Cabinet Secretaries, their staffs and various White House staff members have wrestled with the aliens problem. The Task Force submitted a report to you in early May. Your extensive comments on my cover memorandum to that report advanced the debate. Moreover, in order to sharpen the issues, as you suggested, I have had three lengthy, extensive sessions with key staff assistants from the Cabinet Department involved. But many questions remain unanswered. I hope many of them can be resolved at the May 24 meeting, so it will be possible to announce a policy within the two-week period you have mentioned publicly. I think you should recognize, though, that any policy announced will not end illegal immigration; and how much impact the policy will have cannot be accurately predicted.

1) We do not have an accurate data base to tell us how many people are illegally in the country, what they are doing, how many are entering, or where they are entering. The Immigration and Naturalization Service (INS) knows the number of border "apprehensions", but the same person can be -- and often is -- apprehended more than once and, of course, most of those who attempt to enter illegally are never apprehended.

2) Cost data are also imprecise. The figures provided in the Task Force report are disputed by OMB, which thinks the costs are substantially underestimated. I generally agree with OMB on this point, but I doubt that even OMB's figures reflect all of the costs which will be incurred. Nonetheless, to illustrate the great expense involved for the relatively limited program recommended by the Task Force, I have attached OMB's latest estimates prepared at my request. Without question, these estimates would soar if they included, because of the change in the policy, a nearly counterfeit-proof Social Security card, estimated at about \$1 billion of initial costs.

3) Our lengthy discussions have clarified that this is not simply a domestic labor problem -- it is an international or perhaps "international law" problem. No matter what we do domestically, more people will come here unless there are improved economic conditions in their home countries. Projected population increases of sixty million plus by the year 2000 in Mexico alone underscore how difficult it will be to keep the Mexicans in their own country. It would therefore be a serious mistake to oversell what the recommended policy package will do. I think the public and Congress should be told that the proposed package is not a one-step cure-all.

4) The "lag time" between enactment and implementation of any program could cause a massive surge of illegals into the country. Thus, any program we recommend must back date its effective date to a time already passed -- possibly January 1, 1977.

5) In view of the very emotional nature of this issue, consultation with affected groups and key members of Congress is essential before announcement of any final policy. On this issue there is nothing to be gained from holding the proposed policy closely within the Administration until its announcement.

I.

EMPLOYER SANCTIONS

A. INCREASED ENFORCEMENT OF EXISTING LAWS IN TARGETED WAY

1. Task Force Recommendations: increased enforcement of existing wage and hour laws by creating sixty new positions at a cost of \$1.7 million, targeted to areas where heavy alleged alien employment occurs.

2. Your Comments: penalties should be set for employer abuse of workers -- minimum wage, health, unemployment, workman's compensation, etc.

3. Discussion: the Fair Labor Standards Act already provides penalties against employer abuse. Increased enforcement is warranted -- hence the request for sixty new positions. To attempt increased enforcement of OSHA on behalf of undocumented aliens would require a significant increase in resources and would pose a real problem for an already shorthanded, politically unpopular agency. Workmen's compensation is basically a state-run program, and the federal government currently has no power to impose penalties against employers who abuse the program. The legislation could be amended to permit imposition of federal sanctions, but it is very unlikely that Congress would do so solely to protect abused undocumented workers. The Labor Department would oppose such a recommendation.

4. Recommendation: I concur with OMB that adding sixty positions may not be sufficient to ensure increased enforcement of existing wage and hour laws. I think OSHA and the Workmen's Compensation program should be left alone. I believe penalties for violation of the Fair Labor Standards Act should be substantially increased. Now it is generally back pay and injunctive relief. While criminal misdemeanor prosecutions are permitted, they are actually never sought.

B. NEW EMPLOYER SANCTIONS

1. Task Force Recommendations: civil penalties of \$500 per violation for employers who hire illegal aliens. Injunctive relief against repeated violators.

2. Your Comments: approval.

3. Discussion: subsequent discussion has focused on a wrinkle not adequately identified in the Task Force Report: whether and how each employer should be required to record the documents relied upon as proof that a job applicant has legal status. Mexican-American

groups have traditionally opposed employer sanctions out of fear that they will generate discrimination against job applicants who "look foreign". To minimize that possibility, the Task Force recommended that every job applicant be asked to show some identification of his or her legal status. But even with that recommendation, the fear remains among Hispanics and Chinese Americans that employers may only ask for identification from those who look foreign unless some recordkeeping is required of employers. Unfortunately, recordkeeping poses horrendous administrative and paperwork burdens, especially on small employers, and the Task Force is now divided over what type of recordkeeping requirements, if any, should be imposed. Labor favors enactment of additional penalties for employers who fail to keep records; Justice favors better enforcement of Title VII (employment discrimination) of the Civil Rights Act of 1964, and would not impose separate penalties for failure to keep records on each applicant's legal status.

D. Recommendation: I believe that civil penalties and recordkeeping requirements will be a political and administrative nightmare. It may be wise to exempt entirely small employers from coverage, in much the same manner as they have just been exempted from OSHA requirements. One method of doing that would be to authorize the Department of Justice to prosecute (with stiffer penalties) only employers who demonstrate a "pattern or practice" of illegal hiring or discrimination. No recordkeeping would be necessary. Such a standard is now used in prosecuting equal employment cases. Since compliance reviews would cover both hiring of illegal entrants and unlawful discrimination against citizens, fear that the program would encourage discrimination would be eased. Another approach would simply be to exempt from compliance with recordkeeping requirements any business with less than a certain number of employees, such as 100 employees. That would effectively allow small employers to escape from the coverage of the entire policy, but it would give the policy much more credibility.

II. IDENTIFICATION

A. Task Force Recommendation: Employers are given an absolute defense against prosecution if they demonstrate reliance on one of a number of identification devices -- driver's licenses, birth certificates, green cards, Social Security cards (the actual documents that are to be acceptable would be prescribed by the Attorney General through regulations). In addition, the Social Security card would be made a more reliable indicator of lawful status.

B. Your Comments: You wanted strict proof, and suggested that Social Security cards be used and compared with SSA files to confirm legitimacy. You indicated that drivers licenses and birth certificates should not be used as reliable indicators of status by crossing out your reference to them.

C. Task Force Response: The Social Security card is not now reliable evidence of lawful status and probably could not be made so even if several billion dollars were spent in upgrading its reliability. Presently, the Social Security Administration (SSA) relies on a sworn statement by the applicant that he or she is not foreign born. If the applicant is foreign born, SSA relies on easily counterfeitable documents, such as passports, naturalization certificates, U.S. citizen identity cards, and the like. The Social Security card itself is easily counterfeitable and can be readily obtained on the black market. The Social Security computer files only tell whether a given number has been issued to a certain name; hence, comparison of a real or forged card with its file does not prove whether the person carrying the card is the person to whom it was legally issued.

SSA is planning, independent of any illegal aliens policy, to undertake certain reforms in issuance of cards so that they will be somewhat more secure than at present (\$17.5 million is the first-year cost).

Thus, SSA would conduct an in-person interview for all applicants 18 and over; establish an improved and expanded quality control assurance program for social security number activities; establish clear SSA employee accountability for the determination that identifying requirements are met; require documentary evidence of age, identity and citizenship or alien status of all applicants, regardless of age.

These reforms, however, will not prevent counterfeiting of cards. A program to prevent counterfeiting requires the issuance of a new type of card -- on special paper, linked to an employer-verification computer network, and containing a photo. Such a card would essentially be a national identification card, which is fiercely opposed by liberal and civil libertarian groups. The Hispanic community would, however, find such a card acceptable. But even such a system, with its multi-billion dollar pricetag, would be fallible, for the underlying documents used by an applicant to obtain a card could still be easily forged.

D. Recommendations: Even if the vehement objections from civil libertarians to a "national identifier" were to be ignored it seems clear that a fool-proof identification system cannot be developed. The proposed SSA program to tighten issuance of cards is worth supporting although additional money spent by SSA to attempt to develop a truly secure card would largely be wasted. The Task Force recommendation of multiple identifiers will do little to assure an employer of the legal status of his prospective employee. However, it may be of significant assistance in preventing discrimination against Mexican-Americans in hiring, under this program.

IV. BORDER ENFORCEMENT

A. Task Force Recommendation: A two-year program of increased enforcement to prevent illegal entries at the southern border -- 2,000 additional positions at a cost of \$98 million dollars.

B. Your Comments: The Policy should be as effective as possible about future entries; border patrol strengthening should be emphasized for drug/gun control, not the entry of aliens.

C. Task Force Response: The Task Force representatives were divided about whether to defer decision on the need for an extent of increased border enforcement until the Office of Drug Abuse Policy completes its border management study in August. Perhaps more importantly, the representatives believed that linking contraband control with a program to prevent illegal entry would be unwise. In their view, the implication would undoubtedly be drawn that illegal immigrants are also drug smugglers. That is very rarely the case and, because of that, an effort to link aliens and contraband policy would greatly be resented and opposed by the Mexican-American community.

D. Recommendations: It is unclear that the number of people requested by INS will be sufficient to cover such a long border. A much stronger border enforcement program is clearly needed, but the INS proposal needs further review on cost-effectiveness grounds. More people and less hardware should be the focus. Mr. Kirbo has suggested that Ray Marshall recruit a large number of unemployed workers with minimum qualifications -- including citizens of Mexican descent -- to police (unarmed) the borders.

At the same time, he suggests that we could consult with the Mexican government about maintaining a similar or suitable force along appropriate parts of their border. I cannot agree. First, our public jobs program will be viewed with disdain if this is what they are being trained to do. Second, patrolling the border is dangerous business which trained, armed border personnel should perform.

V. AMNESTY

A. Task Force Recommendation: Allow undocumented aliens to apply for permanent resident status if they are the parent, child or spouse of a U.S. citizen or have resided in the U.S. for the previous five consecutive years.

B. Your Comments: Amnesty should not go beyond three year residency requirement, but the extra two years could be given significance re citizenship, etc.

C. Discussion: The Task Force representatives concurred with your decision to reduce the residency to three consecutive years. Additional discussion focused on how to administer an amnesty program, and whether some sort of non-deportable status or "commuter status" might be proposed in lieu of amnesty. Concerns about administering the amnesty program are: that it will deter applicants from applying for amnesty who fear they will be deported if, after reporting to INS for a determination of their eligibility for amnesty, they are found not to be eligible; that it will generate intolerable strains on existing social services, such as welfare (for which they would become eligible); and that family members living abroad of those granted amnesty will become eligible to enter the U.S. under existing quotas.

The Task Force representatives have devised an easily administered, 15-minute interview process for the granting of amnesty. To allay fears in the Hispanic community and to encourage participation in the program, it was agreed that those who applied in good faith would be protected from deportation for a fixed period, probably six months. The only alternative would be to grant amnesty to everyone who applies, thereby vitiating the residency requirement.

In our meetings, the Department of Justice suggested that aliens who qualify for amnesty should be denied social services for a fixed period of time. The other Task

Force representatives felt, however, that such an approach would create a "second-class" status for one group of legally resident aliens. But beyond that, it was considered that illegal aliens are young men without dependents or need for social service programs.

Two additional alternatives, which I initially recommended, emerged from the staff discussions. Both attempt to avoid the problem of making illegal aliens eligible for federal and state welfare and other social services and attempt to correct some of the concerns mentioned above.

1. Non-deportable permanent alien status (with no future eligibility for citizenship) would be conferred on all undocumented aliens who have resided in the United States since January 1977. Those few who fail to qualify under this grant would be subject to deportation. These persons would not be eligible for citizenship, would not be permitted to bring their families into the country, would not be permitted to return to the United States if they left unless a visa was granted, and would not be eligible for welfare or social services. This has the advantage of avoiding many of the political problems associated with amnesty, encourages all illegals to apply for an adjustment of status, insures that these aliens can legally work in this country without harrassment, and would help alleviate the political fire-storm that full amnesty would provoke.

However, it has the disadvantages of not permitting such persons to achieve citizenship and would permit large numbers of people to be eligible to stay in our labor market and work in a lawful status.

2. The same non-deportable alien status would be conferred but only on undocumented aliens who have resided in the United States since January 1974 (a three-year residency requirement). Those who would not qualify for this status or chose not to seek it would be subject to deportation, with a six-month to one-year grace period.

This would have most of the advantages of the previous recommendation but would have the following disadvantages: It would still not encourage illegal aliens to apply for adjustment in status; it might have some of the

administrative problems similar to those involved in proving the three year residency requirement for the full amnesty proposed by the Task Force.

Both of these proposals are tied to the fact that existing law grants eligibility for permanent resident status (and eligibility for citizenship five years thereafter) to spouses of U.S. citizens; and grants citizenship to children born in the U.S. to illegal aliens (who become eligible for citizenship five years thereafter.)

D. Recommendations:

I am deeply troubled by an amnesty program. I have little faith that it will work because of its administrative problems and because of the intense political opposition which will arise. That opposition will be amplified when it becomes known that such persons can receive federal and state welfare benefits. Unfortunately, Hispanic groups expect that you will grant amnesty and are unprepared for an Administration policy recommending only the non-deportable alternative.

Nevertheless, the non-deportable status, together with the operation of existing laws, would seem to protect most illegal aliens, would eliminate the fear of deportation and harrassment, and would protect our social services programs against additional demands. In fairness, it should be said that the welfare concern may well be a red herring, since most of the illegals are presumedly working. But even if that is so, amnesty will still cause a political furor.

In addition, I recommend the adoption of Judge Bell's proposal for a crash-program to eliminate the existing back-log of applications for permanent resident status filed by those eligible for such status.

If you decide to propose amnesty, you should realize that those who qualify for amnesty do not automatically become U.S. citizens. Their status will be that of permanent resident aliens. They will be eligible for U.S. citizenship only after five additional years of U.S. residency.

VI. FOREIGN POLICY

A. Task Force Recommendation: U.S. consultation with Mexico and other governments, with the possibility of substantial foreign economic aid.

B. Your Comments: You approved consultations by the State Department but felt there is no way to raise Mexico's living standards up to ours.

C. Discussion: While the Task Force representatives agreed that there is no way to close the gap between Mexico and the United States, some urged that an infusion of economic aid -- possibly via multi-national lending institutions -- could stimulate labor-intensive projects in the countries from which the illegal aliens come. All agreed that further exploration of that possibility should occur. Such additional aid might provide some leverage to secure Mexico's cooperation with border patrol.

D. Recommendation: I think it is clear that no domestic program can succeed unless there are improved economic conditions in the home countries that "push" their poor populations out. Thus, a foreign policy initiative is a crucial part of a successful program. Consultation must be the first step, and I strongly support it. Some foreign aid may be the next step, but a decision on the precise nature of that aid is premature at this time. I recommend that you not foreclose a foreign aid dimension and consider some suggestions that State, AID and others might be able to develop with time.

VII. TEMPORARY WORKERS

A. Task Force Recommendation: Recommended continuation of the current policy of limiting the number of temporary worker certificates in order to protect American workers.

B. Your Comments: Indicated interest in modified "bracero" program, not tying employees to a certain employer but containing a strict time limit on U.S. residency.

C. Discussion: In a paper presented to the NSC, Dr. Wayne Cornelius of MIT proposed a temporary worker visa program, which he believes is consistent with

the existing temporary character of Mexican migration to the United States. He argues that existing studies provide evidence that Mexican workers migrate on a seasonal basis, stay for short periods of time, and do not displace a substantial number of U.S. workers. The Task Force representatives discussed a Cornelius-type program involving the issuance, through U.S. consulates in Mexico, of a pre-determined number of temporary worker visas. Those visas would permit holders to have a maximum of six months of U.S. employment each year. To maintain a valid visa, the worker would be required to leave the U.S. for at least six months a year. If time restrictions were ever violated, that worker would not again be eligible to obtain another visa. No pre-arranged contracts between the Mexican worker and a U.S. employer would be required to obtain a visa.

The number of visas issues could be adjusted -- by means of Labor Department statistics -- on a monthly and yearly basis to reflect fluctuation in the U.S. demand for alien labor. Visas would also reflect the well-established cyclical or seasonal nature of Mexican migration to the U.S. The ceiling on visas would be high enough to provide legal temporary immigration opportunities for a significant proportion of the workers now migrating to the U.S. illegally -- it is proposed that 800,000 be allowed for the first year of the program.

This proposal provides a legal outlet for the continuing pressures that have caused illegal immigration. It's success, however, would depend on allowing a sizeable flow of workers; and, therefore, though Senator Eastland and employers of migrants would approve, American labor would be strongly opposed.

The Department of Labor strongly opposes this proposition. No consensus was reached.

D. Recommendation: I believe that the non-deportable status proposal, discussed above, is preferable to the Cornelius-type temporary worker approach.

VIII. FINANCIAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

A. Task Force Recommendations: The policy should acknowledge the additional fiscal burdens that state and local governments could suffer because of the large population of undocumented aliens, particularly after amnesty is granted; and the policy should direct appropriate Cabinet officers and staff to examine what financial assistance would be needed and could be provided.

B. Your Comments: You opposed financial aid to state and local governments.

C. Discussion: None of the Task Force representatives disagreed with your views.

D. Recommendation : You should recognize that Congress will be lobbied intensely to provide aid for state and local governments, and Congress will likely accede to that pressure.

IX. IMMIGRATION POLICY

A. Task Force Recommendation: Appointment of a select commission to undertake broad review of existing immigration laws.

B. Your Comments: No more Study Commissions.

C. Discussion: It was uniformly agreed that a review of the immigration laws is desperately needed. The group felt that an Executive Branch task force -- perhaps the same task force now in operation -- could conduct a review on a low-key, no-additional-funds basis.

D. Recommendation: I concur that we do not need a formal commission. But Congressman Eilberg may view the creation of an Executive Branch group as a blatant attempt to keep him from being involved. I suggest, therefore, that members of Congress be invited to join the "informal" group.

C

Resource Summary: Program Components^{1/}

1. Employer Sanctions Program

	<u>FTP EMP.</u>	<u>Annual BA (in millions)</u>
A. Target enforcement of existing Fair Labor Standards legislation: Employment Standards Administration, DOL	60	\$1.7
B. Police new employer sanctions legislation: Immigration and Naturalization Service, DOJ	117	2.4
C. Prosecute employers who violate the law:		
--Alt #1: Minimal requirements, employers will cooperate (Justice assumption)	0	0
--Alt #2: More stringent requirements, active enforcement is necessary (Labor assumption); may require additional magistrates/judges (25) and U.S. Attorneys (25)	50	1.9
D. Publicize new law and regulations (one-time cost)	--	4.0
E. Improve identification mechanisms ^{2/} (e.g., Social Security card)		
--Alt #1: Use existing I.D.s, fund marginal improvements in Social Security card	1,000	17.5
--Alt #2: Reissue Social Security cards in plastic or erase-proof paper (4-5 year program, \$600 M - \$800 M total cost)	6,000	150+
--Alt #3: Reissue Social Security cards with photo (5-6 year program, \$800 M - \$1,000 M start-up and \$100 M - \$200 M annual operating costs)	No est.	200+

^{1/} Summary prepared by OMB staff using estimates developed by agencies. OMB staff have not analyzed individual components.

^{2/} Social Security Administration has data to support estimates in Alternatives #1 and #2. Estimate in Alternative #3 is a guess.

2(A). Amnesty Program: Original Task Force Recommendation

(Assumes amnesty for those with immediate relatives who are U.S. citizens or those who have been in U.S. for 3-5 years. Assumes 500,000 applicants for amnesty each year for next 5-10 years, and that 10 percent who apply fail to qualify. Assumes relatives abroad must enter through quota system.)

	<u>FTP EMP.</u>	<u>Annual BA (in millions)</u>
A. Direct Costs		
a. Amnesty processing, INS	300	\$4.0
b. Expand fraud investigation program, INS	440	8.8
c. Special inquiry officers (immigration judges), INS	30	1.3
d. Represent U.S. before immigration courts, INS	24	.9
e. Legal Services Corporation	100	4.0
f. Publicity campaign (one-time cost)	--	6.0
B. Indirect Costs ^{3/}		
a. Unemployment compensation	--	200
b. Income maintenance and social services programs	--	36-90

2(B). Amnesty Program: Justice's Alternative Proposal

(Assumes same amnesty provisions as 2(A) above except that legislation would not permit those who received amnesty to receive income maintenance or social services benefits.)

A. Direct Costs: same as 2(A) above:	894	\$24
B. Indirect Costs: None	--	--

2(C). Amnesty Program: Task Force Recommendation modified to include Temporary Worker Status for 200,000 - 600,000 workers each year

(Assumes amnesty program similar to 2(A) above, except that those who do not qualify for amnesty or those who do not choose amnesty would be permitted to legalize their status as temporary workers. Requires State Department and/or Immigration and Naturalization Service to issue 200,000 - 600,000 visas or reentry permits each year.)

^{3/} OMB estimates which are conjectural and illustrative--they could be low by an order of magnitude. If Congress waives requirement that relatives immigrate through quota system then HEW income maintenance and social services costs may increase by \$72 M - \$180 M.

	<u>FTP EMP.</u>	<u>Annual BA (in millions)</u>
A. Direct costs		
a. Components included in 2(A) above	894	\$24
b. Administration of temporary worker program, State Dept.	400 ^{4/}	15 ^{4/}
c. Offsets against enforcement programs (negative numbers)	?	?
B. Indirect costs: None estimated (substitution for U.S. workers in labor market could generate increased income maintenance costs for U.S. workers)	--	--
3. <u>Enforcement Program</u>		
A. Enforcement proposals developed by INS and recommended by Task Force--INS budget (assumes two- year start-up costs of \$98 M, annual operating costs of \$50 M)	2,200	\$50
B. State Department programs abroad	100	6.5
4. <u>Foreign Policy Initiatives</u>		
A. Channel funds for rural development in Mexico through World Bank third window, 4-6 year program	--	\$500
B. AID assistance to the Caribbean and Central America (reprogram in FY 1978 only, increase AID budget in 1979)	--	75

^{4/} OMB estimate; State Department has not had an opportunity to price-out this component.

Resource Summary by Agency^{1/}

	<u>FTP EMP.</u>	<u>Annual BA (in millions)</u>
Immigration and Naturalization Service	3,111	\$77 ^{2/}
Other Justice Department and U.S. Courts	50	2
Labor Department:		
-Personnel	60	2 ^{3/}
-Unemployment compensation	--	200
State Department and IFI's:		
-Personnel	100-400 ^{4/}	7-15 ^{4/}
-A.I.D.	--	75
-World Bank	--	500
Legal Services Corporation	100 ^{5/}	4 ^{5/}
Health, Education and Welfare:		
-Social Security cards	1,000-6,000	18-200
-Income maintenance and social services	--	26-270 ^{3/}

1/ Agency estimates unless otherwise noted. Dollars rounded.

2/ Includes one-time cost for publicity of \$10 M.

3/ Rough OMB estimate accepted by the agencies since nothing more precise is available.

4/ High range estimates made by OMB.

5/ OMB estimate based on Justice's assumption that 50,000 applicants for amnesty will be refused each year and will seek legal relief.

THE WHITE HOUSE

WASHINGTON

May 23, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: JOE ARAGON *JA*

SUBJECT: STU EIZENSTAT'S MEMO RE: UNDOCUMENTED WORKERS

Notwithstanding the great complexity of this issue, Stu has done an excellent job. This is particularly true of the recommendations he is making with regard to rigid enforcement of fair labor laws and Title VII of the Civil Rights Act of 1964.*

However, Stu and I disagree on the fundamental issue of amnesty. I believe it is essential. He believes it is unrealistic. He agrees I should present my view to you.

Amnesty is the one issue on which virtually all Hispanics agree. Denying it will seriously weaken the viability of the overall policy. The momentum for amnesty has been building in the Latin community for years. So much so that it has all but become an article of faith to the political leaders and major organizations of the Hispanic community. Moreover, whether rightly or wrongly, Latin leaders believe you have made a commitment to them on this issue. Denying it now will turn a great potential plus into a great liability and will appear to them to be a reversal of your position. It will also be viewed by many as conflicting with the spirit if not the letter of your policy on human rights.

The alternative posed by Stu (i.e. no amnesty but create permanent non-deportable category and give work permits) will not only alienate Hispanics but organized labor as well. If as Stu suggests, people are not offered amnesty (i.e. an opportunity to become citizens) but rather are offered a permanent non-deportable status with work rights, it will create a permanent category of several million persons who can remain and work here presumably their entire lifetimes yet never be eligible for citizenship. I do not believe it is good national policy to institutionalize such a large underclass. Furthermore, while amnesty would have the effect of permanently legalizing (through citizenship) only a portion of the undocumented workers, Stu's approach would permanently legalize most, if not all of them - at least for work purposes. I believe such an approach would be vehemently opposed by labor and as such would be politically impractical.

An Alternative Approach

If a 5 year amnesty is combined with a temporary work permit program the equitable considerations will be satisfied and the number of undocumented workers can be significantly reduced. An amnesty provision will receive broad support from the Hispanic community and will provide political support for the overall policy. As I mentioned above, this is the single most important issue to the Spanish-speaking. It is also good national policy for it brings out of an illegal existence large numbers of persons who have settled here, obtained employment, paid taxes, bought homes, reared children, and, with the exception of their unauthorized entry into this country years ago have obeyed the laws of this country. The equitable argument is that through their conduct over a period of time they have earned a chance to take their place in this society as full citizens.

For those who would not satisfy the amnesty requirements I would propose a temporary work permit program of significant size. Under this program several hundred thousand temporary (6 months or less) work permits would be made available through U.S. consulates in Mexico to Mexican nationals. The permits would allow the bearer to enter this country legally and work for a period of time then return to Mexico. After six months that individual would be permitted to reapply for another work permit through the U.S. consulate. This approach has several advantages. (1) It will encourage non-amnesty aliens to return to Mexico, (2) It will give this country a strong bargaining position with Mexico in urging it to tighten up the border and crack down on smuggling, (3) It will make the flow of Mexican nationals more controllable by channeling them through a governmental mechanism, (4) It will be more saleable to organized labor since the total number of permits would be much less than the number of undocumented workers currently in this country.

Is the Alternative Unrealistic?

Undoubtedly, many questions will be raised about the viability of the proposed alternative. It will be said that too many people would ultimately qualify for citizenship, that the American public will recoil at the prospect of large new numbers of welfare recipients, that work permits won't decrease the flood of illegals, that organized labor will reject it outright. There are, I believe, sound answers to most of these questions. Nevertheless, there is an element of risk in such an approach that must be acknowledged. The inherent complexity and volatility of this problem makes any action risky. In this context I believe the proposed approach is the most humanitarian, and politically wise one to take.

* This reflects my understanding of Stu's position as of Saturday afternoon May 21, 1977.

As I recall, the only specific recommendation was to put another 2,000 immigration officials in the area.

I suggest that we consider strengthening the security along the border in a substantial way by using a select cadre from the immigration service or elsewhere who would be permanent employees and have Ray Marshall recruit a large number of unemployed with some set minimum qualifications. This might be a CCC type of operation and could be administered at a lower level by service or former service personnel. It would include citizens of Mexican descent and this could keep it from appearing or being rough on Mexicans. They would be unarmed. At the same time, we could work out something with the Mexican government to maintain a similar or suitable force along appropriate parts of the border on their side and we could give sufficient subsidy for the employment of these people to make it worthwhile for the Mexican government and the Mexican people to see that it was effective and stop the flow. It could be announced that as this became effective we would inventory and evaluate the equities of illegal aliens already in the country and develop a plan to recognize a limited number of equities. This could be done in conjunction and cooperation with the Mexican government to spot criminals and be sure that we are not

accepting citizens who have run off and abandoned their families or other responsibilities in Mexico.

This could be accomplished in a background of the aid and assistance on a higher level that we apparently must give to Mexico in the near future, and we might use that to insure and insist that we got the cooperation of the Mexican government on the illegal alien problem. By announcing at the time of our longrange plan of recognizing certain equities and by using Mexican personnel and Americans of Mexican descent, we might well win the support of our citizens of Mexican descent in helping to stabilize the problem.

If it has not already been done, I would suggest that a quick, thorough review of these reports and an on-the-spot investigation and consideration of the various recommendations by a very small group, or maybe one person, having no other responsibilities, would be in order. The reports or recommendations I reviewed appeared to me to be prepared by people that were in a hurry and had not had time to give it careful investigation or thought.

One other item included in the recommendations was the financing of some of the local governments along the border because of the influx of illegal aliens would be a mistake in

my judgment. Once these local governments begin to receive money because of the burden of the aliens, there will always be plenty of them around.

One of the problems about enlarging the immigration service by several thousand employees is that they will be highly qualified, highly paid permanent employees and would tend to expand as time went on.

Something was said in one of the recommendations submitted to you about the advantages to the farmers of the illegal aliens. I talked to Aragon in Hamilton's office and according to him most of these farmers are large corporations or large farming operations and I don't see any point in giving any consideration to the farming aspect. To the extent there is any authorized movement across the border anywhere for seasonal work, I think that should be stopped. It must bring more opportunity for the entry of illegal aliens and aggravate the problem and would thus cause more damage to the economy than would be gained by the use of these people. If it causes a problem to Mexico, that can be dealt with in some other way.

CHK/b

THE WHITE HOUSE

WASHINGTON

May 23, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Meeting of May 24, 1977 on
Undocumented Aliens

At the Los Angeles call-in show last week, you said that the undocumented aliens problem was one of the most difficult facing you. I cannot agree more. No issue that I have encountered since January 20 seems so to defy resolution. It is easy to understand why, as with energy, no other Administration attempted to develop a comprehensive policy.

For several months, four Cabinet Secretaries, their staffs and various White House staff members have wrestled with the aliens problem. The Task Force submitted a report to you in early May. Your extensive comments on my cover memorandum to that report advanced the debate. Moreover, in order to sharpen the issues, as you suggested, I have had three lengthy, extensive sessions with key staff assistants from the Cabinet Department involved. But many questions remain unanswered. I hope many of them can be resolved at the May 24 meeting, so it will be possible to announce a policy within the two-week period you have mentioned publicly. I think you should recognize, though, that any policy announced will not end illegal immigration; and how much impact the policy will have cannot be accurately predicted.

1) We do not have an accurate data base to tell us how many people are illegally in the country, what they are doing, how many are entering, or where they are entering. The Immigration and Naturalization Service (INS) knows the number of border "apprehensions", but the same person can be -- and often is -- apprehended more than once and, of course, most of those who attempt to enter illegally are never apprehended.

2) Cost data are also imprecise. The figures provided in the Task Force report are disputed by OMB, which thinks the costs are substantially underestimated. I generally agree with OMB on this point, but I doubt that even OMB's figures reflect all of the costs which will be incurred. Nonetheless, to illustrate the great expense involved for the relatively limited program recommended by the Task Force, I have attached OMB's latest estimates prepared at my request. Without question, these estimates would soar if they included, because of the change in the policy, a nearly counterfeit-proof Social Security card, estimated at about \$1 billion of initial costs.

3) Our lengthy discussions have clarified that this is not simply a domestic labor problem -- it is an international or perhaps "international law" problem. No matter what we do domestically, more people will come here unless there are improved economic conditions in their home countries. Projected population increases of sixty million plus by the year 2000 in Mexico alone underscore how difficult it will be to keep the Mexicans in their own country. It would therefore be a serious mistake to oversell what the recommended policy package will do. I think the public and Congress should be told that the proposed package is not a one-step cure-all.

4) The "lag time" between enactment and implementation of any program could cause a massive surge of illegals into the country. Thus, any program we recommend must back date its effective date to a time already passed -- possibly January 1, 1977.

5) In view of the very emotional nature of this issue, consultation with affected groups and key members of Congress is essential before announcement of any final policy. On this issue there is nothing to be gained from holding the proposed policy closely within the Administration until its announcement.

I.

EMPLOYER SANCTIONS

A. INCREASED ENFORCEMENT OF EXISTING LAWS IN TARGETED WAY

1. Task Force Recommendations: increased enforcement of existing wage and hour laws by creating sixty new positions at a cost of \$1.7 million, targeted to areas where heavy alleged alien employment occurs.

2. Your Comments: penalties should be set for employer abuse of workers -- minimum wage, health, unemployment, workman's compensation, etc.

3. Discussion: the Fair Labor Standards Act already provides penalties against employer abuse. Increased enforcement is warranted -- hence the request for sixty new positions. To attempt increased enforcement of OSHA on behalf of undocumented aliens would require a significant increase in resources and would pose a real problem for an already shorthanded, politically unpopular agency. Workmen's compensation is basically a state-run program, and the federal government currently has no power to impose penalties against employers who abuse the program. The legislation could be amended to permit imposition of federal sanctions, but it is very unlikely that Congress would do so solely to protect abused undocumented workers. The Labor Department would oppose such a recommendation.

4. Recommendation: I concur with OMB that adding sixty positions may not be sufficient to ensure increased enforcement of existing wage and hour laws. I think OSHA and the Workmen's Compensation program should be left alone. I believe penalties for violation of the Fair Labor Standards Act should be substantially increased. Now it is generally back pay and injunctive relief. While criminal misdemeanor prosecutions are permitted, they are actually never sought.

B. NEW EMPLOYER SANCTIONS

1. Task Force Recommendations: civil penalties of \$500 per violation for employers who hire illegal aliens. Injunctive relief against repeated violators.

2. Your Comments: approval.

3. Discussion: subsequent discussion has focused on a wrinkle not adequately identified in the Task Force Report: whether and how each employer should be required to record the documents relied upon as proof that a job applicant has legal status. Mexican-American

groups have traditionally opposed employer sanctions out of fear that they will generate discrimination against job applicants who "look foreign". To minimize that possibility, the Task Force recommended that every job applicant be asked to show some identification of his or her legal status. But even with that recommendation, the fear remains among Hispanics and Chinese Americans that employers may only ask for identification from those who look foreign unless some recordkeeping is required of employers. Unfortunately, recordkeeping poses horrendous administrative and paperwork burdens, especially on small employers, and the Task Force is now divided over what type of recordkeeping requirements, if any, should be imposed. Labor favors enactment of additional penalties for employers who fail to keep records; Justice favors better enforcement of Title VII (employment discrimination) of the Civil Rights Act of 1964, and would not impose separate penalties for failure to keep records on each applicant's legal status.

D. Recommendation: I believe that civil penalties and recordkeeping requirements will be a political and administrative nightmare. It may be wise to exempt entirely small employers from coverage, in much the same manner as they have just been exempted from OSHA requirements. One method of doing that would be to authorize the Department of Justice to prosecute (with stiffer penalties) only employers who demonstrate a "pattern or practice" of illegal hiring or discrimination. No recordkeeping would be necessary. Such a standard is now used in prosecuting equal employment cases. Since compliance reviews would cover both hiring of illegal entrants and unlawful discrimination against citizens, fear that the program would encourage discrimination would be eased. Another approach would simply be to exempt from compliance with recordkeeping requirements any business with less than a certain number of employees, such as 100 employees. That would effectively allow small employers to escape from the coverage of the entire policy, but it would give the policy much more credibility.

II. IDENTIFICATION

A. Task Force Recommendation: Employers are given an absolute defense against prosecution if they demonstrate reliance on one of a number of identification devices -- driver's licenses, birth certificates, green cards, Social Security cards (the actual documents that are to be acceptable would be prescribed by the Attorney General through regulations). In addition, the Social Security card would be made a more reliable indicator of lawful status.

B. Your Comments: You wanted strict proof, and suggested that Social Security cards be used and compared with SSA files to confirm legitimacy. You indicated that drivers licenses and birth certificates should not be used as reliable indicators of status by crossing out your reference to them.

C. Task Force Response: The Social Security card is not now reliable evidence of lawful status and probably could not be made so even if several billion dollars were spent in upgrading its reliability. Presently, the Social Security Administration (SSA) relies on a sworn statement by the applicant that he or she is not foreign born. If the applicant is foreign born, SSA relies on easily counterfeitable documents, such as passports, naturalization certificates, U.S. citizen identity cards, and the like. The Social Security card itself is easily counterfeitable and can be readily obtained on the black market. The Social Security computer files only tell whether a given number has been issued to a certain name; hence, comparison of a real or forged card with its file does not prove whether the person carrying the card is the person to whom it was legally issued.

SSA is planning, independent of any illegal aliens policy, to undertake certain reforms in issuance of cards so that they will be somewhat more secure than at present (\$17.5 million is the first-year cost).

Thus, SSA would conduct an in-person interview for all applicants 18 and over; establish an improved and expanded quality control assurance program for social security number activities; establish clear SSA employee accountability for the determination that identifying requirements are met; require documentary evidence of age, identity and citizenship or alien status of all applicants, regardless of age.

These reforms, however, will not prevent counterfeiting of cards. A program to prevent counterfeiting requires the issuance of a new type of card -- on special paper, linked to an employer-verification computer network, and containing a photo. Such a card would essentially be a national identification card, which is fiercely opposed by liberal and civil libertarian groups. The Hispanic community would, however, find such a card acceptable. But even such a system, with its multi-billion dollar pricetag, would be fallible, for the underlying documents used by an applicant to obtain a card could still be easily forged.

D. Recommendations: Even if the vehement objections from civil libertarians to a "national identifier" were to be ignored it seems clear that a fool-proof identification system cannot be developed. The proposed SSA program to tighten issuance of cards is worth supporting although additional money spent by SSA to attempt to develop a truly secure card would largely be wasted. The Task Force recommendation of multiple identifiers will do little to assure an employer of the legal status of his prospective employee. However, it may be of significant assistance in preventing discrimination against Mexican-Americans in hiring, under this program.

IV. BORDER ENFORCEMENT

A. Task Force Recommendation: A two-year program of increased enforcement to prevent illegal entries at the southern border -- 2,000 additional positions at a cost of \$98 million dollars.

B. Your Comments: The Policy should be as effective as possible about future entries; border patrol strengthening should be emphasized for drug/gun control, not the entry of aliens.

C. Task Force Response: The Task Force representatives were divided about whether to defer decision on the need for an extent of increased border enforcement until the Office of Drug Abuse Policy completes its border management study in August. Perhaps more importantly, the representatives believed that linking contraband control with a program to prevent illegal entry would be unwise. In their view, the implication would undoubtedly be drawn that illegal immigrants are also drug smugglers. That is very rarely the case and, because of that, an effort to link aliens and contraband policy would greatly be resented and opposed by the Mexican-American community.

D. Recommendations: It is unclear that the number of people requested by INS will be sufficient to cover such a long border. A much stronger border enforcement program is clearly needed, but the INS proposal needs further review on cost-effectiveness grounds. More people and less hardware should be the focus. Mr. Kirbo has suggested that Ray Marshall recruit a large number of unemployed workers with minimum qualifications -- including citizens of Mexican descent -- to police (unarmed) the borders.

At the same time, he suggests that we could consult with the Mexican government about maintaining a similar or suitable force along appropriate parts of their border. I cannot agree. First, our public jobs program will be viewed with disdain if this is what they are being trained to do. Second, ~~patrolling the border is~~ dangerous business which trained, armed border personnel should perform.

V. AMNESTY

A. Task Force Recommendation: Allow undocumented aliens to apply for permanent resident status if they are the parent, child or spouse of a U.S. citizen or have resided in the U.S. for the previous five consecutive years.

B. Your Comments: Amnesty should not go beyond three year residency requirement, but the extra two years could be given significance re citizenship, etc.

C. Discussion: The Task Force representatives concurred with your decision to reduce the residency to three consecutive years. Additional discussion focused on how to administer an amnesty program, and whether some sort of non-deportable status or "commuter status" might be proposed in lieu of amnesty. Concerns about administering the amnesty program are: that it will deter applicants from applying for amnesty who fear they will be deported if, after reporting to INS for a determination of their eligibility for amnesty, they are found not to be eligible; that it will generate intolerable strains on existing social services, such as welfare (for which they would become eligible); and that family members living abroad of those granted amnesty will become eligible to enter the U.S. under existing quotas.

The Task Force representatives have devised an easily administered, 15-minute interview process for the granting of amnesty. To allay fears in the Hispanic community and to encourage participation in the program, it was agreed that those who applied in good faith would be protected from deportation for a fixed period, probably six months. The only alternative would be to grant amnesty to everyone who applies, thereby vitiating the residency requirement.

In our meetings, the Department of Justice suggested that aliens who qualify for amnesty should be denied social services for a fixed period of time. The other Task

Force representatives felt, however, that such an approach would create a "second-class" status for one group of legally resident aliens. But beyond that, it was considered that illegal aliens are young men without dependents or need for social service programs.

Two additional alternatives, which I initially recommended, emerged from the staff discussions. Both attempt to avoid the problem of making illegal aliens eligible for federal and state welfare and other social services and attempt to correct some of the concerns mentioned above.

1. Non-deportable permanent alien status (with no future eligibility for citizenship) would be conferred on all undocumented aliens who have resided in the United States since January 1977. Those few who fail to qualify under this grant would be subject to deportation. These persons would not be eligible for citizenship, would not be permitted to bring their families into the country, would not be permitted to return to the United States if they left unless a visa was granted, and would not be eligible for welfare or social services. This has the advantage of avoiding many of the political problems associated with amnesty, encourages all illegals to apply for an adjustment of status, insures that these aliens can legally work in this country without harrassment, and would help alleviate the political fire-storm that full amnesty would provoke.

However, it has the disadvantages of not permitting such persons to achieve citizenship and would permit large numbers of people to be eligible to stay in our labor market and work in a lawful status.

2. The same non-deportable alien status would be conferred but only on undocumented aliens who have resided in the United States since January 1974 (a three-year residency requirement). Those who would not qualify for this status or chose not to seek it would be subject to deportation, with a six-month to one-year grace period.

This would have most of the advantages of the previous recommendation but would have the following disadvantages: It would still not encourage illegal aliens to apply for adjustment in status; it might have some of the

administrative problems similar to those involved in proving the three year residency requirement for the full amnesty proposed by the Task Force.

Both of these proposals are tied to the fact that existing law grants eligibility for permanent resident status (and eligibility for citizenship five years thereafter) to spouses of U.S. citizens; and grants citizenship to children born in the U.S. to illegal aliens (who become eligible for citizenship five years thereafter.)

D. Recommendations:

I am deeply troubled by an amnesty program. I have little faith that it will work because of its administrative problems and because of the intense political opposition which will arise. That opposition will be amplified when it becomes known that such persons can receive federal and state welfare benefits. Unfortunately, Hispanic groups expect that you will grant amnesty and are unprepared for an Administration policy recommending only the non-deportable alternative.

Nevertheless, the non-deportable status, together with the operation of existing laws, would seem to protect most illegal aliens, would eliminate the fear of deportation and harrassment, and would protect our social services programs against additional demands. In fairness, it should be said that the welfare concern may well be a red herring, since most of the illegals are presumedly working. But even if that is so, amnesty will still cause a political furor.

In addition, I recommend the adoption of Judge Bell's proposal for a crash-program to eliminate the existing back-log of applications for permanent resident status filed by those eligible for such status.

If you decide to propose amnesty, you should realize that those who qualify for amnesty do not automatically become U.S. citizens. Their status will be that of permanent resident aliens. They will be eligible for U.S. citizenship only after five additional years of U.S. residency.

VI. FOREIGN POLICY

A. Task Force Recommendation: U.S. consultation with Mexico and other governments, with the possibility of substantial foreign economic aid.

B. Your Comments: You approved consultations by the State Department but felt there is no way to raise Mexico's living standards up to ours.

C. Discussion: While the Task Force representatives agreed that there is no way to close the gap between Mexico and the United States, some urged that an infusion of economic aid -- possibly via multi-national lending institutions -- could stimulate labor-intensive projects in the countries from which the illegal aliens come. All agreed that further exploration of that possibility should occur. Such additional aid might provide some leverage to secure Mexico's cooperation with border patrol.

D. Recommendation: I think it is clear that no domestic program can succeed unless there are improved economic conditions in the home countries that "push" their poor populations out. Thus, a foreign policy initiative is a crucial part of a successful program. Consultation must be the first step, and I strongly support it. Some foreign aid may be the next step, but a decision on the precise nature of that aid is premature at this time. I recommend that you not foreclose a foreign aid dimension and consider some suggestions that State, AID and others might be able to develop with time.

VII. TEMPORARY WORKERS

A. Task Force Recommendation: Recommended continuation of the current policy of limiting the number of temporary worker certificates in order to protect American workers.

B. Your Comments: Indicated interest in modified "bracero" program, not tying employees to a certain employer but containing a strict time limit on U.S. residency.

C. Discussion: In a paper presented to the NSC, Dr. Wayne Cornelius of MIT proposed a temporary worker visa program, which he believes is consistent with

the existing temporary character of Mexican migration to the United States. He argues that existing studies provide evidence that Mexican workers migrate on a seasonal basis, stay for short periods of time, and do not displace a substantial number of U.S. workers. The Task Force representatives discussed a Cornelius-type program involving the issuance, through U.S. consulates in Mexico, of a pre-determined number of temporary worker visas. Those visas would permit holders to have a maximum of six months of U.S. employment each year. To maintain a valid visa, the worker would be required to leave the U.S. for at least six months a year. If time restrictions were ever violated, that worker would not again be eligible to obtain another visa. No pre-arranged contracts between the Mexican worker and a U.S. employer would be required to obtain a visa.

The number of visas issues could be adjusted -- by means of Labor Department statistics -- on a monthly and yearly basis to reflect fluctuation in the U.S. demand for alien labor. Visas would also reflect the well-established cyclical or seasonal nature of Mexican migration to the U.S. The ceiling on visas would be high enough to provide legal temporary immigration opportunities for a significant proportion of the workers now migrating to the U.S. illegally -- it is proposed that 800,000 be allowed for the first year of the program.

This proposal provides a legal outlet for the continuing pressures that have caused illegal immigration. It's success, however, would depend on allowing a sizeable flow of workers; and, therefore, though Senator Eastland and employers of migrants would approve, American labor would be strongly opposed.

The Department of Labor strongly opposes this proposition. No consensus was reached.

D. Recommendation: I believe that the non-deportable status proposal, discussed above, is preferable to the Cornelius-type temporary worker approach.

VIII. FINANCIAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

A. Task Force Recommendations: The policy should acknowledge the additional fiscal burdens that state and local governments could suffer because of the large population of undocumented aliens, particularly after amnesty is granted; and the policy should direct appropriate Cabinet officers and staff to examine what financial assistance would be needed and could be provided.

B. Your Comments: You opposed financial aid to state and local governments.

C. Discussion: None of the Task Force representatives disagreed with your views.

D. Recommendation : You should recognize that Congress will be lobbied intensely to provide aid for state and local governments, and Congress will likely accede to that pressure.

IX.

IMMIGRATION POLICY

A. Task Force Recommendation: Appointment of a select commission to undertake broad review of existing immigration laws.

B. Your Comments: No more Study Commissions.

C. Discussion: It was uniformly agreed that a review of the immigration laws is desperately needed. The group felt that an Executive Branch task force -- perhaps the same task force now in operation -- could conduct a review on a low-key, no-additional-funds basis.

D. Recommendation: I concur that we do not need a formal commission. But Congressman Eilberg may view the creation of an Executive Branch group as a blatant attempt to keep him from being involved. I suggest, therefore, that members of Congress be invited to join the "informal" group.

Resource Summary: Program Components^{1/}

1. Employer Sanctions Program

	FTP EMP	Annual BA (in millions)
A. Target enforcement of existing Fair Labor Standards legislation: Employment Standards Administration, DOL	60	\$1.7
B. Police new employer sanctions legislation: Immigration and Naturalization Service, DOJ	117	2.4
C. Prosecute employers who violate the law:		
--Alt #1: Minimal requirements, employers will cooperate (Justice assumption)	0	0
--Alt #2: More stringent requirements, active enforcement is necessary (Labor assumption); may require additional magistrates/judges (25) and U.S. Attorneys (25)	50	1.9
D. Publicize new law and regulations (one-time cost)	--	4.0
E. Improve identification mechanisms ^{2/} (e.g., Social Security card)		
--Alt #1: Use existing I.D.s, fund marginal improvements in Social Security card	1,000	17.5
--Alt #2: Reissue Social Security cards in plastic or erase-proof paper (4-5 year program, \$600 M - \$800 M total cost)	6,000	150+
--Alt #3: Reissue Social Security cards with photo (5-6 year program, \$800 M - \$1,000 M start-up and \$100 M - \$200 M annual operating costs)	No est.	200+

^{1/} Summary prepared by OMB staff using estimates developed by agencies. OMB staff have not analyzed individual components.

^{2/} Social Security Administration has data to support estimates in Alternatives #1 and #2. Estimate in Alternative #3 is a guess.

2(A). Amnesty Program: Original Task Force Recommendation

(Assumes amnesty for those with immediate relatives who are U.S. citizens or those who have been in U.S. for 3-5 years. Assumes 500,000 applicants for amnesty each year for next 5-10 years, and that 10 percent who apply fail to qualify. Assumes relatives abroad must enter through quota system.)

	FTP EMP.	Annual BA (in millions)
A. Direct Costs		
a. Amnesty processing, INS	300	\$4.0
b. Expand fraud investigation program, INS	440	8.8
c. Special inquiry officers (immigration judges), INS	30	1.3
d. Represent U.S. before immigration courts, INS	24	.9
e. Legal Services Corporation	100	4.0
f. Publicity campaign (one-time cost)	--	6.0
B. Indirect Costs ^{3/}		
a. Unemployment compensation	--	200
b. Income maintenance and social services programs	--	36-90

2(B). Amnesty Program: Justice's Alternative Proposal

(Assumes same amnesty provisions as 2(A) above except that legislation would not permit those who received amnesty to receive income maintenance or social services benefits.)

A. Direct Costs: same as 2(A) above:	894	\$24
B. Indirect Costs: None	--	--

2(C). Amnesty Program: Task Force Recommendation modified to include Temporary Worker Status for 200,000 - 600,000 workers each year

(Assumes amnesty program similar to 2(A) above, except that those who do not qualify for amnesty or those who do not choose amnesty would be permitted to legalize their status as temporary workers. Requires State Department and/or Immigration and Naturalization Service to issue 200,000 - 600,000 visas or reentry permits each year.)

^{3/} OMB estimates which are conjectural and illustrative--they could be low by an order of magnitude. If Congress waives requirement that relatives immigrate through quota system then HEW income maintenance and social services costs may increase by \$72 M - \$180 M.

	FTP EMP.	Annual BA (in millions)
A. Direct costs		
a. Components included in 2(A) above	894	\$24
b. Administration of temporary worker program, State Dept.	400 ^{4/}	15 ^{4/}
c. Offsets against enforcement programs (negative numbers)	?	?
B. Indirect costs: None estimated (substitution for U.S. workers in labor market could generate increased income maintenance costs for U.S. workers)	--	--
3. <u>Enforcement Program</u>		
A. Enforcement proposals developed by INS and recommended by Task Force--INS budget (assumes two- year start-up costs of \$98 M, annual operating costs of \$50 M)	2,200	\$50
B. State Department programs abroad	100	6.5
4. <u>Foreign Policy Initiatives</u>		
A. Channel funds for rural development in Mexico through World Bank third window, 4-6 year program	--	\$500
B. AID assistance to the Caribbean and Central America (reprogram in FY 1978 only, increase AID budget in 1979)	--	75

^{4/} OMB estimate; State Department has not had an opportunity to price-out this component.

Resource Summary by Agency^{1/}

	FTP EMP.	Annual BA (in millions)
Immigration and Naturalization Service	3,111	\$77 ^{2/}
Other Justice Department and U.S. Courts	50	2
Labor Department:		
-Personnel	60	2 ^{3/}
-Unemployment compensation	--	200
State Department and IFI's:		
-Personnel	100-400 ^{4/}	7-15 ^{4/}
-A.I.D.	--	75
-World Bank	--	500
Legal Services Corporation	100 ^{5/}	4 ^{5/}
Health, Education and Welfare:		
-Social Security cards	1,000-6,000	18-200
-Income maintenance and social services	--	26-270 ^{3/}

1/ Agency estimates unless otherwise noted. Dollars rounded.

2/ Includes one-time cost for publicity of \$10 M.

3/ Rough OMB estimate accepted by the agencies since nothing more precise is available.

4/ High range estimates made by OMB.

5/ OMB estimate based on Justice's assumption that 50,000 applicants for amnesty will be refused each year and will seek legal relief.

THE WHITE HOUSE
WASHINGTON

May 24, 1977

The Vice President
Midge Costanza
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson

The attached is forwarded to you
for your information.

Rick Hutcheson

Re: Economic and Budgetary Outlook
for Fiscal 1979.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 24, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*

SUBJECT: Economic and Budgetary Outlook for Fiscal 1979

Tomorrow afternoon (May 25), OMB will be giving you an overview of the budgetary outlook for fiscal 1979. The presentation starts with the same approach that was employed in our presentation to Congressional leaders on May 2 of the budget outlook for fiscal 1981, namely:

- A base economic growth rate is assumed.
- Given this assumed growth rate, Federal revenues and the size of the deficit are calculated.

To supplement the OMB presentation, I will try to outline a view of the budget planning problem for fiscal 1979 that recognizes the two-way interrelationship between the budget and the performance of the economy. In particular, we have to ask the question whether or not the assumed economic growth rate can be reached, given the OMB projection of Federal expenditures. (OMB is aware of this problem and we have discussed our results with them.)

- We start with the 1979 OMB expenditure figures and current tax laws, and ask what the likely effects would be of those expenditures and tax laws on the economy.
- Based on our best-guess estimate of economic performance, we then calculate the probable level of Federal revenues and the deficit.

I want to warn you that the economic forecast for 1979 we will present reflects very preliminary thinking. We have underway at the present time an intensive review of the probable performance of the economy through the

end of 1978. This exercise will be completed in time to give you more refined results before the spring budget preview is over.

Major Assumptions. The principal assumptions underlying our very tentative economic forecast for 1979 are as follows:

- 1) Federal outlays in fiscal 1978 are assumed to fall short of the OMB estimate by \$6 billion, but to come back on track in fiscal 1979 to the levels projected by OMB.
- 2) Monetary policy remains fairly expansive.
 - Growth of the money supply stays somewhat above the high end of the ranges currently being projected by the Federal Reserve.
 - Interest rates rise moderately this year, but do not increase further in 1978 and 1979. For example, the 3-month Treasury bill rate (about 5 percent presently) goes to about 6 to 6-1/4 percent by late this year and then stays in that range.
- 3) Developments on the price side work out optimistically. We assume some moderation in the rate of increase of wages and industrial prices, and only a modest rise of food prices.

Economic Forecast

Given the pattern of expenditures described above, our best guess is that the pace of economic expansion would slow from about 6 percent in 1977 to 5 percent in 1978 and 4 percent in 1979 (see Table 1). The unemployment rate would fall to just over 6 percent by the end of next year, but decline only slightly further during 1979. The rate of inflation subsides to about 5-1/2 percent during 1979. This estimate includes an allowance for the effects of the well-head tax on prices.

The reasons for expecting some slowdown in growth are numerous.

- Rising inventory investment is providing a good deal of thrust to overall economic activity this year. This source of stimulus cannot continue without creating imbalances in the level of inventories relative to sales.

- Net exports will provide little or no stimulus because recovery abroad is lagging and our oil imports will still be rising.
- State and local expenditures will grow fairly strongly in late 1977 and 1978 as the jobs programs and countercyclical revenue sharing gather strength, but growth will slow in 1979.
- In 1979 Federal outlays, adjusted for inflation, rise only moderately. The real increase in these outlays amounts to about 5 percent in fiscal 1978 and 2-1/2 percent in fiscal 1979.
- Even with fairly expansive monetary policy, rising interest rates will take the steam out of the boom in housing.

Given these elements of relative weakness, it would take very large increases in business fixed capital outlays and in personal consumption expenditures to achieve a real economic growth significantly above the figures in our forecast for 1978 and 1979. We do project healthy increases in real investment spending -- between 8 and 9 percent in 1978 and 1979. And we keep the consumer saving rate to 6-1/4 percent. But that is not enough to achieve the base economic growth path. While larger increases in investment and consumption could develop, we have no present evidence that they will.

Budget Results. Table 2 translates this economic forecast into its implications for the budget.

Our estimates for outlays differ from those of OMB because (1) we assume a \$6 billion shortfall in FY 1978, and (2) our estimates of expenditures for income maintenance are a little higher in fiscal 1979, since unemployment is higher than in OMB's base economic growth assumption.

Our estimates for revenues fall below those of OMB because the growth rate of real GNP we are forecasting is lower than the base economic growth rate. Our revenue estimates, however, are very rough. We have not had time to do a precise translation from the economic forecast to its implications for tax revenues.

If the economy grows along the path we are tentatively forecasting, the budget deficit for fiscal 1979 will be about \$40 billion -- considerably higher than the \$28 billion projected from the base economic growth rate.

An Alternative Projection

The preliminary economic forecast for 1978 and 1979, based on the OMB planning numbers, suggests that economic growth may fall below the rate that would lead us to high employment in 1981. We have therefore experimented with an alternative forecast which assumes a more expansive fiscal policy. Specifically:

- . We add back \$3 billion of the shortfall of expenditures assumed in fiscal 1978.
- . We assume some combination of tax reductions (which might be included in tax reform proposals) and expenditure increases amounting to an additional \$12 billion in fiscal thrust in FY 1979.

Table 3 shows the results of this exercise for the performance of the economy. Economic growth is boosted to 5-1/2 percent in 1978 and to 4-1/2 percent in 1979. The unemployment rate by the fourth quarter of 1979 is down to 5-3/4 percent. The rate of inflation is raised a little in 1979 because of more vigorous economic expansion but is still under 6 percent.

Table 4 shows the effects of this exercise on the budget. For fiscal 1979, the estimated deficit would be about \$47 billion, or some \$7 billion higher than in the forecast using OMB's budget expenditures. A little less than half of the \$12 billion in fiscal thrust added to the FY 1979 budget in this exercise is being offset by the effects of faster economic growth on revenues.

Attachments

Table 1
Economic Forecast
Based on OMB Expenditures for FY '79

	<u>Calendar Years</u>		
	<u>1977</u>	<u>1978</u>	<u>1979</u>
Increase in Real GNP (Percent) (Fourth quarter to fourth quarter)	6	5	4
Unemployment Rate (Percent) (Fourth quarter)	6-1/2 to 6-3/4	6-1/4	6
Inflation Rate (Percent) (Fourth quarter to fourth quarter)	6-1/2	6	5-1/2

Table 2
Budget Results
Based on OMB Expenditures for FY '79

	<u>Fiscal Years</u>		
	<u>1977</u>	<u>1978</u>	<u>1979</u>
	Billions of dollars		
Outlays	408	458	500
Receipts	358	399	460
Deficit	50	59	40

Table 3

Alternative Economic Forecast
(With Additional Fiscal Stimulus)

	<u>Calendar Years</u>		
	<u>1977</u>	<u>1978</u>	<u>1979</u>
Increase in Real GNP (Percent) (Fourth quarter to fourth quarter)	6	5-1/2	4-1/2
Unemployment Rate (Percent) (Fourth quarter)	6-1/2 to 6-3/4	6	5-3/4
Inflation Rate (Fourth quarter to fourth quarter)	6-1/2	6	5-3/4

Table 4

Budget Results of Alternative Economic Forecast
(With Additional Fiscal Stimulus)

	<u>Fiscal Years</u>		
	<u>1977</u>	<u>1978</u>	<u>1979</u>
	Billions of dollars		
Outlays	408	462	512
Receipts	358	399	465
Deficit	50	63	47

THE WHITE HOUSE
WASHINGTON

May 24, 1977

Bert Lance -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Jack Watson

Re: Agency Employment Ceilings

THE WHITE HOUSE
WASHINGTON

ACTION	FYI		
	X	MONDALE	ENROLLED BILL
		COSTANZA	AGENCY REPORT
	X	EIZENSTAT	CAB DECISION
	X	JORDAN	EXECUTIVE ORDER
	X	LIPSHUTZ	Comments due to
		MOORE	Carp/Huron within
		POWELL	48 hours; due to
	X	WATSON	Staff Secretary
			next day

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING

	KRAFT
X	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

Electrostatic Copy Made
for Preservation Purposes



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN.

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: Bert Lance

SUBJECT: Agency employment ceilings

Bert : ok -
Alternative 2
provided there is no
change ~~in the~~ 9/78
level.
F.C.
p.s. Also keep full: part
time ratio constant.
J

We need your decisions on employment ceilings to be given each agency for fiscal years 1977 and 1978.

Background

In directing OMB to review agency employment needs, you asked that we try to hold full-time employment as close as possible to the December level of 1,902,200 and to permit no more than a 1% increase above that level (to 1,921,200).

By the end of February, when you limited hiring to filling 3 of 4 vacancies, the total had reached 1,916,000. (One reason -- an error in Defense reports understated the December total by 10,600.)

Prior to your direction, agencies expected further increases of 40,700 by September 30, 1978, to a total of 1,957,300, with most of the increase expected to occur by September of this year. Your pending budget requests would finance this total, and agency plans have been based on the assumption that they would be able to reach this level. Attachment A to this memorandum shows the major reasons for the planned increases.

As summarized in Attachment B, our detailed reviews of employment levels have suggested three alternative approaches:

Alternative 1 would limit full-time employment to your goal of 1,921,000. Because actual employment normally falls at least 10,000 below ceilings, this limit would probably result in actual employment on September 30 that is below the current level (1,917,000 at the end of March), as well as a reduction of more than 40,000 below agency plans.

Alternative 2 would get to your goal by the end of fiscal year 1978 but would set the limit at 1,933,700 at the end of 1977. This limit would permit realignments to take place over a longer period and would avoid the wrench to their immediate plans that will concern the agencies.

OK
J

Alternative 3 would hold employment to a level that would probably minimize adverse reactions from the agencies and interest groups and avoid the risk of problems with Congress, including mandated employment floors that are higher than your ceilings.

The attached binder contains summaries of our findings.

Discussion

Our preference is for Alternative 2.

We know that you will be concerned about any ceiling that exceeds your goal. We know also that it will appear illogical to permit employment to peak by the end of this fiscal year and then to be brought down to your goal (although actual employment under Alternative 2 will probably keep fairly level because of the tendency to underrun ceilings noted above).

The problem is that much of the increase planned between now and the end of this year either is to carry out Administration initiatives or is necessary to meet mandatory workload demands. We are convinced that employment can be brought to your goal. It can be done by a zero-base budget approach followed by realignments of staffing in the agencies. But there are only four months remaining in this fiscal year and the existing personnel system is sticky. Given enough time, a much better job can be done to put people where they can be used most effectively.

Several agency heads, including Secretaries Marshall and Califano, have made strong pleas for some protection from lower personnel levels in the next few months so that they can begin to move on Administration programs. We expect that agency appeals will occur no matter which alternative is chosen and that they will be very strong if Alternative 1 is chosen.

Achievement of the Alternative 1 levels for 1977 would require a number of agencies to stop all or nearly all hiring. In both Agriculture and Interior, Congressional concern last year about personnel ceilings resulted in statutory floors on the number of employees in some units. Precipitant action on low personnel ceilings in the next few weeks risks more statutory floors in 1978 appropriation bills. Also, when funds saved by personnel ceilings that are lower than contemplated in existing appropriations cannot be used for like program purposes, the law requires that you report a proposed rescission to the Congress. By inaction on the rescission proposal, the Congress can force the funds to be used to hire people.

Recommendation

That you approve OMB issuance of personnel ceilings identified under Alternative 2.

Attachments

ATTACHMENT A

MAJOR REASONS FOR PLANNED INCREASES

Feb. 1977 to Sept. 1978

° VA medical care programs.....	10,445
° Increased construction and operation of TVA power plants.....	3,136
° Tax Reform Act of 1976.....	2,684
° Increased workload in Customs, Federal Prison System, and Legal Activities.....	2,336
° Federal grain inspections required by law.....	1,878
° Growth of aviation activities and facilities.....	1,865
° Land Heritage Program.....	1,600
° Congressional add-ons for FDA laboratories and National Health Service Corps.....	1,586
° Statutory employment minima in Agriculture and add-ons for INS.....	1,550
° Increased subsidized housing program.....	1,098
° Economic stimulus jobs programs.....	607
° All other, e.g., GSA (+1,622), other HEW programs (+1,489), Corps of Engineers (+786), Panama Canal (+734), and EPA (+662).....	<u>11,936</u>
TOTAL.....	<u><u>40,723</u></u>

ATTACHMENT B

FULL-TIME EMPLOYMENT
UNDER EXECUTIVE CONTROL
(In thousands)

Agency	Feb. 1977	Agencies Expect--		Alternative 1		Alternative 2		Alternative 3	
	Actual	1977	1978	1977	1978	1977	1978	1977	1978
Agriculture	81.1	83.5	84.2	82.0	82.5	82.6	82.5	83.2	83.6
Commerce	29.6	29.8	29.8	29.2	29.2	29.6	29.2	29.6	29.4
Corps. of Engineers ...	28.0	28.8	28.8	28.4	28.4	28.6	28.4	28.6	28.6
Defense-Mil. Funct.	926.5	928.0	920.8	914.5	900.4	922.0	900.4	928.0	910.5
HEW	140.1	142.4	143.1	139.9	140.1	141.4	140.1	141.8	141.8
HUD	14.9	15.6	16.8	15.3	16.0	15.3	16.0	16.3	16.3
Interior	59.6	62.1	62.6	61.1	61.6	61.6	61.6	61.7	62.0
Justice	51.4	52.4	53.8	51.7	52.6	51.9	52.6	51.9	52.9
Labor	15.4	16.8	17.0	16.3	16.2	16.3	16.2	16.4	16.7
State	22.6	22.9	23.0	22.6	22.7	22.6	22.7	22.7	22.7
Transportation	71.4	72.8	74.0	71.9	72.8	72.1	72.8	72.1	72.8
Treasury	107.0	111.6	111.9	108.9	109.6	109.6	109.6	110.1	110.3
ERDA	8.4	8.7	9.1	8.5	8.9	8.5	8.9	8.5	8.9
EPA	9.5	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2
GSA	34.6	36.0	36.2	35.3	35.5	35.3	35.5	35.3	35.5
NASA	23.7	23.8	23.7	23.5	23.2	23.6	23.2	23.7	23.5
VA	194.0	201.7	205.6	198.1	202.6	198.1	202.6	198.1	202.6
All other	98.8	105.7	106.7	103.6	104.6	104.1	104.6	104.5	105.4
Total <u>1/</u>	1,916.6	1,952.9	1,957.3	1,921.2	1,917.2	1,933.7	1,917.2	1,942.8	1,933.6

1/ Total may not add due to rounding.

OVERVIEW

This material responds to the President's direction to hold down the number of Federal employees by limiting the number of full-time employees to not more than one percent above the number on board at the end of December. That total would be 1,921,000 full-time employees.

The material first explains reasons for increases between February employment levels and planned employment under the February Budget Revisions. It then identifies alternative ceiling levels for each major agency.

Three alternative ceiling plans are presented. Under alternative no. 1, the most stringent, full-time permanent civilian employment would meet the Presidential guidance level of 1,921,000 for FY 1977 and better that goal by nearly 4000 positions for FY 1978. Employment under alternative no. 2 and no. 3 are progressively less stringent.

Total employment in the Executive Branch is divided between full-time permanent and other employment. The focus of the review material is on the full-time permanent component. This is because full-time permanent civilian employees comprise about ninety percent of all civilian employees, are the most stable component of Federal employment, and are therefore the most difficult to reduce over either the short or long term. The balance of Federal employment is subject to seasonal variations and is made up of part-time employees, intermittent employees who work on an irregular basis, and full-time temporary employees who occupy positions for less than 1 year.

Actual employment in the recent past and planned employment in the February budget and in each of the three alternatives referred to above are:

1,916
19

1935

Actual Employment:	<u>Full-time Permanent</u>	<u>Total</u>
December 31, 1976	1,902,249 a/	2,089,106
February 28, 1977	1,916,619	2,107,520
Planned Employment:		
February Budget:		
September 30, 1977	1,952,867	2,131,213
September 30, 1978	1,957,276	2,140,877
Alternative No. 1: b/		
September 30, 1977	1,921,203	2,100,598
September 30, 1978	1,917,154	2,100,686
Alternative No. 2: b/		
September 30, 1977	1,933,719	2,112,842
September 30, 1978	1,917,207	2,101,390
Alternative No. 3: b/		
September 30, 1977	1,942,778	2,120,683
September 30, 1978	1,933,640	2,117,491

a/ This total has not been adjusted for a shift of 10,600 overseas dependent employees and teachers employed by the Defense Department that were inadvertently counted as temporary rather than full-time employees.

b/ See page 9 under Tab "Summary Data" for explanation of alternatives.

In reviewing the employment figures in this material, it is worth noting the difference in magnitude between the Federal workforce discussed herein and that perceived by the press and the public. Excluded from these numbers are employees in the Judicial and Legislative Branches and employees in the Postal Service, because they are not subject to Presidential control.

SUMMARY DATA

MAJOR REASONS FOR DIFFERENCES BETWEEN ACTUAL AND PLANNED EMPLOYMENT LEVELS

During the review of the 1978 budget, agencies identified a number of workload increases and functions added by law that resulted in the need for higher employment levels. The review of agency budget requests reduced the totals sought by the agencies in many cases, both in terms of the add-ons and the base employment levels. A more thorough review has now been completed.

As of February 28, 1977, actual full-time permanent civilian employment in the Executive Branch (excluding the Postal Service) was 1,916,616. The level of full-time permanent civilian employment planned for September 30, 1978 under the February Budget Revision was 1,957,276. The following identifies the major reasons for the nearly 40,700 difference:

Department of Agriculture..... + 3,054

Additional positions have been authorized to implement legislation enacted last year assigning grain inspection and weighing activities to the Federal Government (+ 1,878); to staff budgeted programmatic increases in the Forest Service which are well below the levels implicit in the recently enacted Forest Resources Planning Act (+ 468); and to comply with statutory employment minima included in the 1977 Appropriations Act for the Farmers Home Administration, the Agricultural Stabilization and Conservation Service, and the Soil Conservation Service (+ 765).

Department of Defense..... - 5,671

The reduction is the net result of planned productivity-related decreases of 22,370 positions that are largely offset by planned increases in Defense industrial activities for continuation of plans to improve the condition of the fleet and thereby reduce the overhaul backlog from 41 to 35, and for Air Force maintenance and supply depots to improve aircraft readiness and to respond to increased flying hours; in National Guard and Reserve activities for full-time technicians to support the "Round-Out Brigades" whereby one brigade in each of the 4 new Army divisions is comprised of reserve personnel and to facilitate the transfer of the KC 135 refueling mission from active to reserve status; and in Research and

Development activities, primarily for the Air Force, that are currently significantly understrength.

Department of Health, Education, and Welfare..... + 3,075

Positions are authorized in the Food and Drug Administration in response to Congressional add-ons for increased laboratory staffing and in the Health Services Administration for expansion of the National Health Service Corps (+ 1,586), in the Education Division for a new effort to detect fraud and abuse (+ 225) and for greater emphasis on vocational education (+ 35), in the Social Security Administration to respond to workload increases generated by a rise in the number of eligible persons receiving benefits (+ 290), in the Social and Rehabilitation Service for fraud and abuse detection (+ 50), to provide staff for the new Office of the Inspector General (+ 100), for welfare reform and national health insurance planning (+ 68), and to respond to workload increases in the Department's civil rights enforcement program (+ 200).

Department of Housing and Urban Development..... + 1,857

Positions are authorized to carry out Administration initiatives calling for a buildup of staff for higher subsidized housing program levels (+ 1,098), for increased levels of community development grants (+ 202), for increases in field staff related to these initiatives (+ 105), and for acceleration of flood plain studies (+ 150); and to accommodate the transfer of staff into HUD as part of the consolidation of contract compliance responsibilities under Executive Order 11246 (+ 67).

Department of the Interior..... + 2,952

Positions are authorized primarily for increases in the National Park Service (+ 1,000) and the Fish and Wildlife Service (+ 600) for the Administration's Land Heritage Program, for additional staff for leasing of public lands for energy development (+ 750), and for increases in mine safety inspection, enforcement, and related activities (+ 325).

Department of Justice..... + 2,455

Positions are authorized in the Immigration and Naturalization Service for increases in inspections, enforcement, and service activities added by the Congress (+ 785); in the Federal Prison System for new facility activation and growing prisoner population (+ 627); and in Legal Activities because of larger and more complex litigative caseloads (+ 649).

Department of Labor..... + 1,643

Positions have been added to implement the economic stimulus package and to audit its effects (+ 607); to improve the determination of Federal employees' claims for compensation for job injuries (+ 157); to work down backlog of insurance claims for terminated private pension plans (+173); to maintain and improve present employment, wage, and price statistical series and to plan new ones (+ 91); to respond to a Congressional add-on of inspectors and technical support staff in the Occupational Safety and Health Administration (+ 125); to enforce rising requirements related to pension standards (+ 100), fair labor standards (+ 94), and occupational safety and health standards (+ 50); and to handle growing workload of unfair labor practice cases involving Federal agencies and their unionized employees (+ 50).

Department of Transportation..... + 2,579

Positions are authorized in the Federal Aviation Administration to meet the expected growth of aviation activity and the forecasted expansion of airway facilities (+ 1,865), in the Coast Guard to improve support and maintenance activities and to expand marine safety and aid to navigation programs (+ 206), and in the Urban Mass Transportation Administration to decentralize grant administration (+ 145).

Department of the Treasury..... + 4,916

Positions are authorized primarily to build up staff in the Internal Revenue Service to implement the Tax Reform Act of 1976 (+ 2,684), to meet increased workload in the U.S. Customs Service due to an expected

increase in travellers and imports (+ 1,060), and to meet the need for expanded auditing practices under the Comptroller of the Currency.

Environmental Protection Agency..... + 662

Additional positions were authorized in connection with the February Budget Revision due to substantial increases in regulatory requirements mandated by the passage of several new acts within the last few years, e.g., Toxic Substances Act and Resource Conservation and Recovery Act. Prior to this increase (+ 600), EPA had not been authorized personnel increases in over 2 years.

Tennessee Valley Authority..... + 3,136

Positions have been authorized for increased construction that has been approved and for operation of TVA's power plant program as new plants come on line.

Veterans Administration..... +11,558

Of the positions authorized, 10,445 relate to VA's medical care program, including activation of new facilities and specialized programs (+ 4,622); putting into effect legislation for new outpatient care program (+ 440); continued efforts to remedy staffing deficiencies cited in the approved "Quality of Care" program, together with new pharmacy and patient scheduling programs (+ 2,667); and accommodation of growing workload (+ 2,716). The remaining positions relate primarily to augmentation of existing and activation of new research facilities and programs such as spinal cord regeneration and aging.

All Other..... + 8,507

The bulk of these positions are authorized in the General Services Administration (+ 1,622), Corps of Engineers (+ 786), Panama Canal (+ 734), Energy Research and Development Administration (+ 687), Agency for International Development (+ 444), Federal Energy Administration (+ 442), Department of State (+ 430), and Civil Service Commission (+ 330).

A table showing--by major agency--the December 1976 and February 1977 actual employment levels and the levels contemplated for the end of FY 1977 and FY 1978 in the February Budget follows:

EXECUTIVE BRANCH FULL-TIME PERMANENT EMPLOYMENT
BY MAJOR AGENCY (EXCLUDING POSTAL SERVICE)

<u>Agency</u>	<u>December 31, 1976</u> <u>Actual</u>	<u>February 28, 1977</u> <u>Actual</u>	<u>Agencies expect--</u> <u>1977</u>	<u>1978</u>
Agriculture.....	80,661	81,096	83,475	84,153
Commerce	28,997	29,577	29,850	29,812
Corps of Engineers	28,092	27,964	28,750	28,750
Defense-Military Functions	916,385 ^{1/}	926,511	928,000	920,840
HEW	139,509	140,050	142,400	143,125
HUD	14,879	14,933	15,570	16,790
Interior	59,554	59,633	62,111	62,585
Justice	51,628	51,392	52,413	53,840
Labor	14,652	15,376	16,845	17,019
State	22,591	22,611	22,920	23,041
Transportation	70,560	71,414	72,774	73,991
Treasury	107,083	106,963	111,635	111,879
ERDA	8,354	8,365	8,692	9,052
EPA	9,449	9,488	10,150	10,150
GSA	34,839	34,624	36,050	36,249
NASA	23,960	23,866	23,816	23,737
VA	192,459	193,971	201,675	205,529
All other	<u>98,607</u>	<u>98,785</u>	<u>105,741</u>	<u>106,734</u>
Total	1,902,249	1,916,619	1,952,867	1,957,276

^{1/} Does not reflect a DOD reporting error that improperly counted full-time permanent as temporary employees and has resulted in an upward revision of 10,600.

Federal Civilian Employment Review

During the course of the employment review, it became increasingly apparent that while reductions consistent with the President's guidance could be achieved, they could not be accomplished without significant problems, including the need to remove employees now on board (a "reduction in force"). Accordingly, a range of alternative levels was developed that would provide some choices.

Presidential guidance levels. These levels represent an increase of 1% over the December 31, 1976 actual employment level as originally reported (1,902,200). The resulting figure of 1,921,000 became the target levels for September 30, 1977 and September 30, 1978 at which the review efforts are aimed. (However, due to an error in the classification of overseas dependent employees and school teachers in Defense, about 10,600 full-time permanent positions were added to the count retroactively.)

Alternative reduction levels. These alternative levels have been developed on the basis of decreasing the magnitude or severity of the problems associated with the reductions:

- ° Alternative No. 1 relates to those actions required to meet the President's goals for both FY 1977 and FY 1978.
- ° Alternative No. 2 focuses on achieving the Presidential guidance level for September 30, 1978, but permits a more gradual movement toward the 1978 goal.
- ° Alternative No. 3 provides reductions for 1977 and 1978 while holding anticipated adverse reaction from the agencies, the Congress, and interest groups to the minimum.

Ceilings and actual employment. It should be noted that actual employment is virtually certain to fall below the agency ceilings. In the past, the difference has ranged from 10,000 to 20,000 full-time, permanent positions. The difference occurs because ceilings are allocated throughout the Government and each allocation unit must be sure to avoid exceeding its ceiling.

Following is a table that shows--by major agency--a comparison of the February Budget employment levels with the three alternative levels.

FULL-TIME EMPLOYMENT
UNDER EXECUTIVE CONTROL
(In thousands)

Agency	Feb. 1977 Actual	Agencies Expect--		Alternative 1		Alternative 2		Alternative 3	
		1977	1978	1977	1978	1977	1978	1977	1978
Agriculture	81.1	83.5	84.2	82.0	82.5	82.6	82.5	83.2	83.6
Commerce	29.6	29.8	29.8	29.2	29.2	29.6	29.2	29.6	29.4
Corps. of Engineers ...	28.0	28.8	28.8	28.4	28.4	28.6	28.4	28.6	28.6
Defense-Mil.Funct.	926.5	928.0	920.8	914.5	900.4	922.0	900.4	928.0	910.5
HEW	140.1	142.4	143.1	139.9	140.1	141.4	140.1	141.8	141.8
HUD	14.9	15.6	16.8	15.3	16.0	15.3	16.0	16.3	16.3
Interior	59.6	62.1	62.6	61.1	61.6	61.6	61.6	61.7	62.0
Justice	51.4	52.4	53.8	51.7	52.6	51.9	52.6	51.9	52.9
Labor	15.4	16.8	17.0	16.3	16.2	16.3	16.2	16.4	16.7
State	22.6	22.9	23.0	22.6	22.7	22.6	22.7	22.7	22.7
Transportation	71.4	72.8	74.0	71.9	72.8	72.1	72.8	72.1	72.8
Treasury	107.0	111.6	111.9	108.9	109.6	109.6	109.6	110.1	110.3
ERDA	8.4	8.7	9.1	8.5	8.9	8.5	8.9	8.5	8.9
EPA	9.5	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2
GSA	34.6	36.0	36.2	35.3	35.5	35.3	35.5	35.3	35.5
NASA	23.7	23.8	23.7	23.5	23.2	23.6	23.2	23.7	23.5
VA	194.0	201.7	205.6	198.1	202.6	198.1	202.6	198.1	202.6
All other	98.8	105.7	106.7	103.6	104.6	104.1	104.6	104.5	105.4
Total ^{1/}	1,916.6	1,952.9	1,957.3	1,921.2	1,917.2	1,933.7	1,917.2	1,942.8	1,933.6

^{1/} Total may not add due to rounding.

MAJOR ISSUES

MAJOR ISSUES

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MAJOR ISSUES

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National Security Division
Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Department of Defense (Feb. 1977 Actual: 926,511)							
September 30, 1977	928,000	914,500	-13,500	922,000	-6,000	928,000	---
September 30, 1978	920,840	900,440	-20,400	900,440	20,400	910,500	-10,340 <

Discussion: A series of vertical reductions in FY 1978 in Base Operations, and in Training, Logistics, Medical, and Headquarters activities could achieve the Alternative 1 reduction without adverse impact on programs and in fact could have a positive effect. It would require base realignments, consolidations and closures. It will take aggressive management action at Defense and Service levels and strong support by the Administration to accomplish by end FY 1978. Reductions in force would be required but they would be held to a minimum through the ongoing Defense program for placing employees in other Defense activities. Very strong opposition can be expected by political leaders of the affected areas. The FY 1977 reduction would be achieved by maintaining the 3 out of 4 replacement rate for the rest of the year.

Alternative No. 2 would require much less of a reduction in FY 1977 and a much more gradual phasing down to the FY 1978 ceiling. This would be desirable particularly since the most desirable way of achieving the FY 1978 reduction is by specific vertical reduction rather than an across the board cut.

Alternative No. 3 would make no change in the FY 1977 ceiling. This could be prudent in that the Appropriations Committees can be expected to "mark" the FY 1978 budget on the basis of the new ceilings and the mark could be greater than indicated if we have miscalculated attrition or are unable to achieve the reductions for some other reason. The FY 1978 reduction is also halved on the basis that we might not be able to make all the indicated changes in that time span. This also could be prudent in that we know base realignment actions have a tendency to drag out and often land in the Courts.

We cannot assess Secretary Brown's reaction. We believe he would agree that reductions are possible but will probably oppose the magnitude and timing, especially of Alternative No. 1.

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
U. S. Soldiers' & Airmen's Home (Feb. 1977 Actual: 936)							
September 30, 1977	965	948	-17	955	-10	960	-5
September 30, 1978	965	945	-20	945	-20	955	-10

Discussion: The Governor of the Home has written the Director requesting exemption from the hiring limitations and the revision of employment ceilings. He states that any reduction would impair the mission performance of the Home. He points out that management efforts have already reduced employment from 1,083 in 1971 to the current level of 965. He notes that the Home is a self-supporting establishment which has not been a burden on the Treasury or the taxpayers. In February the Home was actually 29 below the ceiling. We conclude that the reduction of 20 in Alternative No. 1 would not have severe adverse effects.

Alternative No. 2 would provide a more gradual transition to the new level and Alternative No. 3 would reduce the cut by one half.

INTERNATIONAL AFFAIRS DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Department of State (Feb. 1977 Actual: 22,611)							
September 30, 1977	22,920	22,620	-300	22,620	-300	22,670	-250
September 30, 1978	23,041	22,666	-375	22,666	-375	22,716	-325

Discussion: Government-wide overseas employment reductions by Presidents Johnson and Nixon and continuing budgetary pressures have resulted in a 16% decrease in employment since 1967. The Department has consistently not filled 200 or more of its ceiling slots, which allows for some reduction in ceiling without any negative effects.

Alternative 1 -- A reduction of 300 in the 1977 ceiling would hold the Department to about the actual February, 1977 level. Most of this ceiling reduction could be accomplished by managing the ceiling and vacancies closely, but considerable reprogramming of existing positions and possibly a continuing general freeze on employment would be necessary. In 1978, important new requirements (other than passport and consular workload) would have to be met by further reprogrammings. The Department is likely to protest strongly.

Alternative 2 -- Identical to alternative 1.

Alternative 3 -- This would ease somewhat the reprogrammings required in 1977. The Department would probably protest this reduction as well.

INTERNATIONAL AFFAIRS DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
United States Information Agency (Feb. 1977 Actual: 8377)							
September 30, 1977	8745	8570	-175	8570	-175	8595	-150
September 30, 1978	8665	8440	-225	8440	-225 <	8490	-175

Discussion: Government-wide overseas employment reductions by Presidents Johnson and Nixon and continuing budgetary pressures have resulted in a 27% decrease in employment since 1967. Current 368 vacancies partly due to late 1976 appropriation authorization, conservative hiring during transition, and anticipated reorganization.

Alternative 1 - A reduction of 175 in the 1977 ceiling would probably be achieved by managing more closely ceilings and vacancies (accounting for approximately 70), deleting long-standing vacant positions among overseas local employees (80 positions), and not filling vacancies in domestic media operations. The additional cut of 50 in 1978 would probably be achieved in a similar fashion. Such cuts would take away managerial flexibility and would be mildly protested by agency leadership.

Alternative 2 - Identical to alternative 1

Alternative 3 - This would leave more managerial flexibility for accomplishing anticipated reorganization.

Exhibit A

INTERNATIONAL AFFAIRS DIVISION
Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Agency for International Development (Feb. 1977 Actual: 5706)							
September 30, 1977.....	6150	5935	-215	5935	-215	6050	-100
September 30, 1978.....	6150	5960	-190	5960	-190	6100-6150	-

Discussion: AID's employment has dropped from over 18,000 in 1968 to less than 6,000 at present. Due to a series of RIF's AID is largely staffed with high-graded professionals (1977 average salary of the 2,000 Foreign Service Reserve Officers who constitute the core of AID professional staff is over \$32,000). The bilateral economic assistance program is planned to grow by nearly 40% between 1976 and 1978. Existing personnel ceiling of 6,150 was set to permit hiring of junior professionals to be trained for future management and to employ more experienced people in needed technical fields for growing high-priority programs such as Egypt and Sahelian Africa. Alternatives 1 and 2 would permit hiring of 200 people above current on-board strength, probably insufficient to provide effective management of the growing program. This could be accompanied by a RIF to eliminate senior-level people with inadequate qualifications for current needs. This is inadvisable since morale is extremely low already in AID because of recent RIF's and other cutbacks; better to let attrition over the next few years remove the marginal staff. Alternative 3 would permit the hiring of development interns to provide a management base for expected future program growth, and also staffing up for the major program initiatives.

Exhibit A

INTERNATIONAL AFFAIRS DIVISION
Full-time Permanent Civilian Employment

	<u>Feb. Budget</u>	<u>Alt. No. 1</u>	<u>Diff.</u>	<u>Alt. No. 2</u>	<u>Diff.</u>	<u>Alt. No. 3</u>	<u>Diff.</u>
Export-Import Bank (Feb. 1977 Actual: 409)							
September 30, 1977.....	440	430	-10	435	-5	435	-5
September 30, 1978.....	440	430	-10	430	-10	435	-5

Discussion: The Export-Import Bank has experienced a low level of new loan and insurance authorizations thus far this year, which may not pick up until late 1977 or early 1978. In addition, management improvements are now underway which should produce economies by the end of 1978. Alternative 1 would take account of the low levels of activity and of expected management improvements, but might impair efforts to collect promptly on a rising level of delinquent payments and limit plans for improved loan analysis. Alternative 2 has the same effect as alternative 1, but permits a more gradual reduction. Alternative 3 takes account of reduced requirements resulting from low activity levels and management improvements, but provides increased capabilities for collection of delinquent loans and improved loan analysis.

Exhibit A

NATURAL RESOURCES DIVISION
Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Environmental Protection Agency (Feb. 1977 Actual: 9,488)							
September 30, 1977.....	10,150	10,150	0	10,150	0	10,150	0
September 30, 1978.....	10,150	10,150	0	10,150	0	10,150	0

Discussion: The Environmental Protection Agency has been exempted from the personnel reduction exercise. The EPA personnel level was the most controversial budget issue during the last budget review as well as the revised budget sessions. Administrator Costle has made it quite clear that the provision of 600 additional positions was a clear sign of the Administration's commitment to the environment. A reduction in positions could create serious problems for the Administrator in terms of his ability to "deliver" on promises. The increases provided by President Carter have been highly visible. Any decrease at this time could be viewed by many as a turnaround on environmental issues by the Administration.

NATURAL RESOURCES DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Corps of Engineers-Civil (Feb. 1977 Actual: 27,964)							
September 30, 1977.....	28,750	28,450	-300	28,650	-100	28,650	-100
September 30, 1978.....	28,750	28,450	-300	28,450	-300	28,550	-200

Discussion:

Background - The Corps of Engineers personnel ceilings for full-time permanent employees has been essentially stable during the 1970's. During this period, completed projects have added significantly to ongoing manning and maintenance requirements, environmental impact statements and the associated coordination workload has grown tremendously, the Corps has taken on a major new regulatory program (Section 404, relating to dredging and filling in waters of the U.S.), visitation at Corps recreation projects has made the Corps the largest federal recreation agency, and the construction program has increased.

Alternative No. 1 - Reduction would be achieved by reducing employment in overhead services, research, real estate management, project maintenance, and miscellaneous other activities. Functions not likely to be reduced include regulatory functions and engineering.

Reductions in force (RIF's) are currently under consideration within the Corps, even at the February budget level personnel ceiling, as part of an internal reorganization aimed at aligning the available personnel resources more closely with the geographic distribution of work. Lowered ceilings are especially likely to impact the regulatory and maintenance functions. Although regulatory activities are not expected to be cut by the agency as a result of lowered ceilings, much needed increases for this function are likely to

be precluded--a court-ordered expansion of Corps dredge and fill regulatory area is scheduled for July, to include all 'waters of the U.S.'. The failure to increase regulatory personnel may lead to significantly increased processing time for permits, producing increased costs and delays in the private sector.

Maintenance activities in the Corps received significantly increased funding in the FY 1978 budget to reduce the large backlog of deferred maintenance of Corps projects and facilities that had been built up in recent years. Much of this maintenance directly affects the safety of flood control and navigation facilities, as well as the productivity of domestic and international water transport. Lowered personnel ceilings, already tight, may reduce the utility and cost-effectiveness of the funds added to the budget in 1978.

Alternative No. 2 - The impact of Alternative No. 2 would probably fall on the same activities as discussed above, however, more time would be available to shift to increased contracting with the private sector, thus freeing up federal personnel to offset ceiling reductions. Some loss in efficiency may result from such increased contracting. However, the efficiency loss would probably be less than spreading Federal personnel as thinly in 1977 as would be the case under Alternative No. 1.

Alternative No. 3 - Allows the same adjustment period for increased non-federal contracting by the Corps, and leaves the Corps in FY 1978 with the same amount of ceiling as FY 1976, which necessitates absorbing 1977-1978 workload increases.

Note: Reductions in FY 1978 funding for Corps of Engineers construction activities are currently under consideration. In-house OMB analysis indicates that about 7 Corps of Engineers work years are used per million dollars of construction put in place. FY 1978 funding reductions resulting from Presidential water project termination or modification decisions would allow additional personnel reductions, the amount depending on the dollar effect in FY 1978, though the situation in FY 1977 would remain unchanged.

April 13, 1977
Rev. May 18, 1977
Exhibit A

NATURAL RESOURCES DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Department of the Interior (Feb. 1977 Actual: 59,633)							
September 30, 1977.....	62,111	61,141	-970	61,621	-490	61,741	-370
September 30, 1978.....	62,585	61,625	-960	61,625	-960	62,025	-560

Discussion:

Background - Interior's employment ceilings for full-time permanent employees have been held relatively stable from 1971 through 1976, even with increasing levels of programs. This has meant greater reliance on contracting for services. Exceptions were made for energy programs including environmental studies and for national parks. Substantial increases were provided for 1977 for energy programs and for national parks and wildlife refuges.

- Over 700 positions for 1978 were not allowed although program funding was allowed, and the Department was told to use contract services.
- Secretary Andrus requested an increase of 533 positions for 1978 but none were allowed and he did not appeal.
- Three hundred positions were requested for the Fish and Wildlife Service during the February budget revisions. Funds were allowed as requested but only 100 positions were allowed.

Interior has managed its employment ceilings by reductions in some areas to provide increases in others.

The Congress is becoming more and more involved in the executive function of determining agency employment levels. The Appropriations Committees have, for FY 1976 and 1977, specified in their reports for some Interior programs the number of increased personnel associated with increased

appropriations and "directed" that they be additional to "OMB ceilings." The 1977 Appropriations Act for Interior directs that employment at the Carbondale, Illinois laboratory of the Bureau of Mines be excluded from employment ceilings.

NOTE: The above numbers make no allowance for the enactment of strip mine control legislation which may add about 500 employees to Interior's totals.

Alternative No. 1 - Reduction would be achieved to the extent possible by reducing employment in administrative, supervisory and review functions including the Office of the Secretary and the Solicitor's Office, but some program operations would be affected. Two hundred and fifty positions of the 1,600 for the Bicentennial Land Heritage Program would be eliminated (-150 for the Park Service, and -100 for the Fish and Wildlife Service). About 340 positions relating to R&D by the Bureau of Mines and the Geological Survey, and planning and engineering in the Bureau of Reclamation would be eliminated and the activities conducted by contracts. About 115 positions in the Bureau of Indian Affairs would be eliminated by closing one of the two area (regional) offices in Oklahoma and by closing one of the 15 off-reservation boarding schools and placing pupils in remaining boarding schools or public schools. The Indian Affairs and Reclamation reductions could involve reductions in force since both now exceed their current ceilings. However, they are two of the larger bureaus in Interior and should contribute to the reduction.

Alternative No. 2 - The end result in 1978 is the same as for Alternative No. 1, however, the reduction in 1977 would be 480 less. This would result in no reduction below current ceilings for the Bureau of Reclamation and the Bureau of Indian Affairs to avoid a reduction-in-force. However, it would still mean a reduction of 218 below the number actually employed on February 28, 1977 by these two bureaus.

Alternative No. 3 - Under this alternative, no reduction would be made in the personnel for the Bicentennial Land Heritage Program nor the mine health and safety programs. The 1978 reductions for the Bureau of Indian Affairs and the Geological Survey would be reduced from 215 and 190, respectively, under Alternative No. 1 to 100 each to lessen program impacts. The 1977 reductions for the Bureau of Reclamation and the Bureau of Indian Affairs are less than in Alternative No. 1 to provide a transition to further reductions in 1978.

Natural Resources Division
Full-Time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Tennessee Valley Authority (Feb. 1977 Actual: 14756)							
September 30, 1977	17365	16860	-505	17060	-305	17060	-305
September 30, 1978	17892	17334	-558	17334	-558	17534	-358

Discussion:

Background. The largest portion of TVA's total program -- the power related functions -- is self-financed from power revenues and bonds. This means that the power employees, though Federal, are paid from power receipts from TVA's customers, not Federal appropriations. This plus the basic independence of TVA's Board of Directors makes control of TVA personnel policies largely dependent upon their cooperation. TVA maintains that its personnel decisions must be based on the most efficient operation of their electrical generation and distribution system. They use force account -- in-house -- labor for most of their construction and operation and maintain that this is more efficient than contracting work in the private sector. Personnel needs vary widely based on the number of projects underway, construction season, etc. These needs very rarely coincide with the President's policies on personnel government-wide. TVA has appealed for exemption from the current 3 for 4 personnel policy on efficiency grounds. The agency is willing to substitute temps for permanents, however. TVA has also asked to have the power program exempted from future personnel ceiling policies. We are providing our recommendations on the first point separately.

Alternative No. 1. Reduction would be achieved in permanent positions by allowing TVA to make up the difference in temporary positions. Since manpower shortages translate into construction and operation and maintenance delays which cost money, TVA argues that rate payers are stuck with higher energy bills as a result of these personnel decisions. TVA is willing to try to be responsive to the President's need to control the number of permanent employees, but TVA wants to be free to hire and fire the temporary manpower it needs just as any private utility is. (TVA is the Nation's largest electric utility).

Alternative No. 1 is actually a larger cut by 200 people than TVA is willing to accept. It can be assumed that if TVA can be persuaded to accept to the larger cut, it will again want to replace the permanents with temps.

Alternative No. 2 would be the permanent personnel reduction TVA is willing to accept in 1977, but a larger reduction than it is willing to accept in 1978. The same one for one replacement with temps can be assumed as TVA's price for agreement.

Alternative No. 3 is the figure TVA will accept and would be most satisfactory from its perspective.

Note: Additional minor reductions would be achieved if the two water projects under review are terminated.

Department of Agriculture
Full-time Permanent Civilian Employment

	<u>Feb. Budget</u>	<u>Alt. No. 1</u>	<u>Diff.</u>	<u>Alt. No. 2</u>	<u>Diff.</u>	<u>Alt. No. 3</u>	<u>Diff.</u>
Department of Agriculture (Feb. 1977 actual: 81,099)							
September 30, 1977	83,475	82,004	-1,471	82,650	-825	83,175	-300
September 30, 1978	84,153	82,455	-1,698	82,503	1,650	83,553	-600

Discussion:

Alternative No. 1: FY 1977 - Since almost one-half of the end of February shortfall below ceiling (2,376) is in three agencies which have statutory minimum employment levels, and since practically all of the balance is in a new agency established last year for Federal grain inspection and weighing activities, the reduction would have to be in the other major USDA agencies in order to achieve this reduced ceiling (Forest Service - has major new legislative mandates; Agricultural Research Service - President's budget provided program increases; Animal and Plant Health Inspection Service - recently assumed responsibility for added meat and poultry inspections mandated by law as a result of State discontinuation of such inspections). RIF action likely would be necessary to assure compliance with the ceiling. FY 1978: If employment minimums for only the same three agencies are enacted in the FY 1978 appropriation bill (an optimistic assumption) and the Federal Government meets its recently enacted grain inspection responsibilities, no further RIF action would be necessary.

Alternative No. 2: FY 1977 - Cuts the required RIFS significantly for the agencies noted in Alternative No. 1. FY 1978 - A strong case can be made for reorganization of four USDA bureaus which provide assistance to farmers into a bureau, thereby enabling a 10% reduction in the staff of the existing bureaus through greater efficiency in the use of resources. A reduction of 1,650 permanent positions in FY 1978 from the present ceiling would provide added impetus to effecting such a reorganization. Would likely require a special effort (Presidential) to remove or avoid employment minimums in the FY 1978 appropriation act.

Alternative No. 3: FY 1977 - Would minimize the necessity for RIF's and would likely be acceptable to USDA.
FY 1978 - Reduction is roughly equivalent to the staffing in one of the bureaus (Federal Crop Insurance Corp.) whose function would be assumed by staff in the reorganized bureau discussed under Alternative No. 2.
USDA would likely accept this level of reduction without appeal.

ENERGY AND FOOD DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Federal Energy Administration (Feb. 1977 Actual: 3,589)							
September 30, 1977.....	4,073	3,994	-79	4,013	-60	4,023	-50
September 30, 1978.....	4,031	3,922	-109	3,922	-109	3,956	-75

Discussion:

Background - FEA employment ceilings for full-time permanent employees have increased markedly in the past year due to the signing into law of two major energy Acts--the Energy Policy and Conservation Act (December 1975) and the Energy Conservation and Production Act (August 1976). The two Acts require that FEA undertake several new energy programs including strategic petroleum storage, energy conservation obligation guarantees, energy conservation grants to States, "weatherization" assistance programs to insulate homes of the elderly and the poor, expanded energy information systems for oil and gas reserve assessment, forecasting, and data validation. In addition, the new substantive authorities have complicated FEA's responsibilities to regulate the pricing of petroleum products, which in turn, has resulted in the need for more auditors and investigators to insure pricing compliance.

In all, new statutory responsibilities have increased FEA staffing requirements by over 800 positions, or about 25%, in the past 12 months. Even though these employment levels have increased rapidly, they still represent substantial reductions from levels requested by the agency.

-- Over 1500 positions requested by FEA for 1977 were not allowed in April, 1976--the bulk of which were to expand petroleum regulation activities.

-- Dr. Schlesinger appealed for an increase of 715 positions for 1978 during the February budget revisions, of which 365 were allowed. Position increases for the petroleum storage and energy conservation programs were to demonstrate strong Administration commitment in these areas. The increase for regulatory programs was to maintain Administration flexibility until a decision was reached on a petroleum price and allocation control strategy. Specific revisions in February 1977 included:

	<u>1977</u>	<u>1978</u>
Petroleum Storage Acceleration	--	+43
Regulatory Programs	+138	+163
Energy Conservation	+75	+159
Total	+213	+365

Alternative No. 1 - Reduction would be achieved by reducing approximately 50 unfilled positions, the majority of which were to be used for new energy conservation initiatives. Also, certain voluntary conservation programs would be phased out a little sooner than now scheduled. Most remaining decreases would be drawn from administrative, data collection, and review functions. With the consolidation of energy functions in a proposed Department of Energy, these areas should have the greatest potential for streamlining. In 1978, 18 positions would be eliminated from the petroleum storage program; this would still allow current assigned staffing to increase in storage activities over the next 18 months by 93 positions instead of the 111 approved previously.

Alternative No. 2 - While end-of-year 1978 employment would remain the same as for Alternative No. 1, the 1977 reduction would be less by 19 positions. The moderated reduction in 1977 would permit 19 new positions to be used for energy conservation initiatives in President's energy proposals to be announced April 20.

Alternative No. 3 - Under this alternative, smaller reductions are proposed for both energy conservation and petroleum storage than would result under Alternative No. 1 and 2. Further, reductions would be moderated for energy data collection activities, as well as for certain internal audit functions within the agencies.

Exhibit A

HOUSING, VETERANS, AND LABOR DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Department of Housing and Urban Development (Feb. 1977 Actual: 14,933)							
September 30, 1977.....	15,570	15,286	-284	15,322	-248	15,340	-230
September 30, 1978.....	16,790	15,990	-800	15,990	-800	16,350	-440

Discussion: Savings of 55 in 1977 and 115 in 1978 are justified by workload shortfalls and could be achieved without difficulty. Alternative 1 (a reduction of 1.8 percent in 1977/4.8 percent in 1978) would probably require two program changes: (1) enactment of legislation giving States the responsibility for administering community development discretionary funds (as proposed in the Ford budget -- -150 in 1978), and (2) increased use of already-budgeted housing subsidy funds for existing units rather than new construction (-20/-30). In addition, significant cuts in mortgage insurance staff (-50/-210) would be necessary, requiring greater use of outside appraisers and increased processing time. The balance of cuts (-159/-295) would come mainly in the areas of planning grant monitoring, interest group representation, civil rights, urban renewal close-outs, and staff support throughout the Department. Alternative 2 would give HUD somewhat more flexibility to staff up in expanding areas (e.g., assisted housing), and allow several on-going activities (particularly, close-out of urban renewal projects) to continue as planned. Alternative 3 would eliminate the need for the program changes described above, and would allow HUD to maintain current FHA mortgage servicing levels. None of the three alternatives would require a RIF of HUD personnel, although staff reallocations among offices would be required for each. Political problems associated with these alternatives would probably not be severe (HUD's appropriation committees typically reduce Administration staffing requests).

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Department of Labor							
(Feb. 1977 Actual: 15,376)							
September 30, 1977.....	16,845	16,298	-547	16,298	-547	16,395	-450
September 30, 1978.....	17,019	16,206	-813	16,206	-813	16,734	-285

Discussion: Alternatives 1 and 2 would require reductions from the levels contemplated in February of 3 1/4 percent for 1977 and 4 3/4 percent for 1978. The reductions could be accomplished without a RIF (i.e., lay-off) by not filling current vacancies (612) or new positions requested in pending 1977 supplementals (857). Unless instructed otherwise, the Department would probably follow this approach, since it avoids hard decisions on on-going programs. However, such reductions would have some or all of the following effects: staff needed for the effective implementation of the economic stimulus package could not be hired; the backlog of unresolved minimum wage complaints would continue to grow; workers' compensation claims backlog would grow and excessive benefits would remain undetected and paid every month; resolution of labor disputes in the Federal government would be delayed; enforcement of workers' pension rights would not be increased as the 1976 law becomes fully effective; a congressional instruction to hire more occupational safety and health inspectors would be ignored; determinations of benefits for workers in terminated pension plans or of employer's liability would be delayed. Other methods of achieving the reductions of Alternative 1 and 2 would make more programmatic sense but would be administratively more difficult. They would include: a selective reduction of accounting, budgeting, planning, administrative, and other overhead positions; legislation to restructure the Veterans Employment service; elimination of the Women's Bureau as an anachronism; complete restructuring of the Washington office of the Employment and Training Administration to eliminate an excessive number of separate organizations; elimination of the ten Regional Directors (and their staffs) who have no line responsibilities. Alternative 3 would still require guidance to the Department to avoid the easy approach of merely not filling present vacancies or newly requested positions. Some of the reduction (especially in 1977) would recognize expected workload shortfalls, recruiting difficulties, and delays in enacting the stimulus package. The remainder would still require the difficult task of weeding out overhead positions (including Regional Directors) but should not affect the actual delivery of service or enforcement of laws.

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Veterans Administration							
(Feb. 1977 Actual: 193,971)							
September 30, 1977.....	201,675	198,089	-3,586	198,089	-3,586	198,089	-3,586
September 30, 1978.....	205,529	202,569	-2,960	202,569	-2,960	202,569	-2,960

Discussion: Reductions of 1,741 in 1977 and 665 in 1978 are warranted by changes subsequent to the February budget and can be accomplished easily.

Alternatives #1, #2, and #3 (a reduction of 1.78 percent in 1977 and 1.44 percent in 1978) would require the VA to: (1) reprogram medical personnel away from the care of non-service-connected veterans to those veterans with service-connected conditions, (2) delay or cancel implementation of certain new medical programs such as family mental health, (3) cut research personnel by 5-10 percent, and (4) reduce overhead in certain support offices by 2-3 percent. However, by carefully allocating staff, the VA's ability to activate new facilities, to meet critical veterans' needs and to maintain care to service-connected veterans would not be impaired. Even so, these cuts would be vigorously opposed by the agency, veterans' groups, and the Congress.

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
ACTION							
(February 1977 Actual: 1,779)							
September 30, 1977.....	1,784	1,742	-42	1,742	-42	1,742	-42
September 30, 1978.....	1,784	1,742	-42	1,742	-42	1,742	-42

Discussion: All alternatives would require ACTION to make selective reduction in planning, personnel, management, and other overhead positions. Careful management of vacancies could prevent the need for a RIF (lay-off). Further reductions would probably have to come from staff who are supporting volunteers or providing grants to local volunteer programs, and thus hamper current efforts to re-invigorate the programs. (Note: Recruiters of volunteers, although employed only seasonally, are classified as full-time permanent while on-board. The February total thus hides some existing vacancies in overhead positions.)

Commission on Civil Rights
(February 1977 Actual: 261)

September 30, 1977.....	288	285	- 3	285	- 3	285	- 3
September 30, 1978.....	296	289	- 7	289	- 7	289	- 7

Discussion: The reductions would allow normally unfilled positions to lapse (-3) and maintain staffing for the Seattle Regional Office at the 1977 level (-4) in 1978. These reductions (2.4 percent in 1978) would not have a significant impact on the Commission's ability to operate effectively, although some research might be postponed. Even small reductions in the civil rights area, however, could trigger an adverse reaction from civil rights organizations.

Equal Employment Opportunity
Commission
(February 1977 Actual: 2,431)

September 30, 1977.....	2,532	2,487	-45	2,487	-45	2,532	0
September 30, 1978.....	2,532	2,487	-45	2,487	-45	2,532	0

Discussion: Alternatives 1 and 2 would reduce staffing while, at the same time the agency claims it needs 880 more people to handle a rising volume of complaints of discrimination in employment and to reduce the growing backlog of unresolved complaints. Current production rates support such an increase but the agency's managerial problems have been so great that there is no assurance that those rates represent efficient operations or that the agency could effectively hire and use added people. Reorganization is needed. In addition, the reduction could raise problems with the EEOC labor, union and civil rights groups. In view of these problems, no reductions are proposed under Alternative 3.

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Federal Mediation and Conciliation Service (February 1977 Actual: 537)							
September 30, 1977.....	575	540	-35	540	-35	550	-25
September 30, 1978.....	575	540	-35	540	-35	550	-25

Discussion: Alternatives 1 and 2 would require FMCS to cancel plans to set up new field offices in high workload areas, and to bolster professional staff. With the exception of the private nonprofit health care area, FMCS workload is discretionary. Historically, slightly more than one-third of the Service's cases are in labor disputes involving fewer than 100 workers which have little impact on the economy. Administrative costs and support staff levels have been increasing as a percentage of total budget and staff. Prioritization of assignments and review of administrative needs should enable FMCS to absorb a reduction in ceiling. No RIFs necessary. Alternative 3 would reduce FMCS ceiling to the FY 1976 level, while providing the Service with flexibility to hire selectively in high workload regions. No RIFs necessary. Acting Director will appeal the reduction, claiming agency cannot meet effectively its mandate under the National Labor Relations Act. He will also cite the need for industrial peace to keep the economy moving and will probably note media reports of labor's intention to catch up with inflation in the next round of bargaining.

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
National Labor Relations Board (Feb. 1977 Actual: 2,737)							
September 30, 1977.....	2,815	2,758	-57	2,789	-26	2,789	-26
September 30, 1978.....	2,873	2,813	-60	2,813	-60	2,845	-28

Discussion

Agency budget is based on a sophisticated analysis of each year's expected case intake and staffing required to process it. Experience so far this year indicates that complaints of unfair labor practices and representation cases will be close to the budget estimates.

The 2% reduction of Alternative #1 could be achieved partly by not filling vacancies but would require a 1977 rescission and a 1978 budget amendment (or rescission). Cuts could be spread so as to minimize impact on production but there will be backlog increases in cases requiring hearings before the Board and Administrative Law Judges in 1977, and in such cases and in field investigations and dispositions in 1978.

Alternative #2 moderates the 1977 impact, but with minimal production loss; has no effect on 1978 production loss or on ease of achievement.

The under 1% reduction of Alternative #3 would probably require holding down slightly the number of Administrative Law Judges and selectively not filling other vacancies in a way which has the minimum effect on case handling. Operations would be hurt somewhat, but budget rescissions or amendments would probably not be required.

Human Resources Division
Full-time Permanent Civilian Employment

	<u>February</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Difference</u>	<u>Alt.</u> <u>No. 2</u>	<u>Difference</u>	<u>Alt.</u> <u>No. 3</u>	<u>Difference</u>
Department of Health, Education, and Welfare (February 1977 actual: 140,050)							
September 30, 1977	142,400	139,900	-2,500	141,450	-950	141,750	-650
September 30, 1978	143,125	140,125	-3,000	140,125	-3,000	141,750	-1,375

Discussion: The employment levels of Alternative No. 1 will require reductions below the 140,050 reached at the end of February. The burden of such a reduction would probably fall most heavily on the Social Security Administration since Social Security employment is almost 60 percent of the HEW total. A reduction in Social Security would be attended by a shift toward more expensive use of overtime by the remaining staff.

Alternative No. 2 would require employment to be reduced over an 18 month period from the levels of the revised budget to the same 140,125 as Alternative No. 1. The Secretary would thus be able to devote the available manpower to some of the priority areas he has identified such as positions related to (1) the health of the Department's beneficiaries, (2) fraud and abuse detection and prevention, (3) congressional and court-mandated activities, and (4) activities related to the President's priorities (such as welfare reform and health insurance).

Alternative No. 3 would permit a September 30, 1977, level 300 higher than Alternative No. 2 and hold employment at that level. The programmatic impact would be minimal in 1977 but would likely provoke some adverse congressional reaction since some budget positions would have to remain vacant.

Community Services Administration
Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Community Services Administration (February 1977 actual: 953)							
September 30, 1977	1,067	1,042	25	1,042	25	1,042	25
September 30, 1978	1,067	1,037	30	1,037	30	1,037	30

Discussion: The reductions taken in 1977 and 1978 for all three alternatives were based on the Community Services Administration's (CSA) proportion of the total authorized positions for all agencies reviewed by the Human Resources Division. A planned internal reorganization of CSA was approved last fall with an increase of 107 positions over the then ceiling of 960. The reorganization is progressing slowly although CSA's employment has not yet increased. Therefore, the proposed reductions only decrease the number of new positions CSA can fill and will not force CSA to decrease its current staff level.

If employment reductions are taken throughout the Government we believe CSA should also be reduced. It will be important, however, to CSA's constituency groups that CSA not be proportionally reduced in a greater amount than agencies with which it is related (e.g., HEW).

Science and Energy Technology Division
Full-Time Permanent Civilian Employment

Exhibit A

	<u>Feb.</u> <u>Budget</u>	<u>Alt. No. 1</u>	<u>Diff.</u>	<u>Alt. No. 2</u>	<u>Diff.</u>	<u>Alt. No. 3</u>	<u>Diff.</u>
Energy Research & Development Administration (Feb. 1977 Actual: 8365)							
September 30, 1977	8692	8482	-210	8542	-150	8542	-150
September 30, 1978	9052	8852	-200	8852	-200	8852	-200

Discussion: All alternatives will reduce ERDA's ceiling by 200 in 1978, which we believe is reasonable in view of the President's desire to reduce employment. This reduction will still allow an increase of 487 in ERDA positions by 1978 in response to program growth. ERDA will be forced to undertake a highly desirable review of all staff and overhead positions to allow adequate growth in direct program management positions to respond to ERDA's growing workload.

Alt. No. 1:

- Pro: - Constraining the rate of growth of ERDA employment in FY 1977 may be desirable because of current uncertainties about the impact of the Department of Energy on ERDA's overall employment requirements.
- ERDA would be forced to focus earlier on a review of staff and overhead positions.
- Con: - Hiring patterns would be disrupted in 1977 (but relieved somewhat in FY 1978).
- Some needs for staff to meet program growth would be unmet in the near-term.

Alt. No. 2&3:

Pro: - Employment reductions are phased over 1977 and 1978 to match workload growth.

- Stable hiring patterns would be preserved in 1977.

Cons: - Smaller reductions would occur in FY 1977 to meet the President's objectives of reducing total Federal employment.

Creation of DOE as proposed will permit some reduction in staffing through consolidation in such areas as Executive Direction and common staff functions (e.g., Public Affairs, Congressional Relations, Legal). A preliminary estimate of savings would be 100 - 150 positions, subject to closer analysis as part of implementation planning. These savings would offset a part of the anticipated increases due to the President's energy initiatives.

Science and Energy Technology Division
Full-Time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt. No. 1</u>	<u>Diff.</u>	<u>Alt. No. 2</u>	<u>Diff.</u>	<u>Alt. No. 3</u>	<u>Diff.</u>
National Aeronautics and Space Administration (Feb. 1977 Actual: 23866)							
September 30, 1977	23,816	23,541	-275	23,636	-180	23,726	-90
September 30, 1978	23,737	23,237	-500	23,237	-500	23,487	-250

Discussion: In considering potential employment reductions for NASA, it should be recognized that employment in this agency has been substantially reduced in previous years, including reductions totalling about 10,000 full-time permanent positions since the peak of the Apollo program, with reductions of about 600 positions in FY 1977/78, before this cutback.

Alt. No. 1:

- Pro: - Represents reasonable targets for further reductions consistent with the President's overall objectives.
- Reductions are feasible, but painful for the agency.
- Con: - Could require selective Reductions-in-Force, particularly at the Marshall Space Flight Center in Huntsville, Alabama.

Alt. No. 2:

Pro: - Provides a significant reduction by the end of FY 1978.

- Is more feasible in FY 1977 than alternative No. 1.

Con: - Could result in a shortfall in meeting the President's objectives for FY 1977.

Alt. No. 3:

Pro: - Could help to deflect agency appeals that the agency has been "double dipped" on employment reductions.

Con: - May not result in large enough reductions to support the overall objective for the Federal Government.

Science and Energy Technology Division
Full-Time Permanent Civilian Employment

Exhibit A

	<u>Feb.</u> <u>Budget</u>	<u>Alt. No. 1</u>	<u>Diff.</u>	<u>Alt. No. 2</u>	<u>Diff.</u>	<u>Alt. No. 3</u>	<u>Diff.</u>
Nuclear Regulatory Commission (Feb. 1977 Actual: 2459)							
September 30, 1977	2529	2459	- 70	2499	- 30	2499	- 30
September 30, 1978	2695	2645	- 50	2645	- 50	2645	- 50

Discussion: All alternatives would reduce NRC's ceiling by 50 in 1978, which we believe is reasonable in view of the President's desire to reduce employment. The reduction can be met because of the reduced licensing and review requirements for reprocessing and breeder reactors resulting from the President's message on non-proliferation. The reduction in the rate of growth may induce increased efforts by NRC to seek methods for minimizing the number of people needed to license and inspect the growing number of reactors.

Alt. No. 1:

Pro: - May encourage increased productivity.

Con: - Short-term needs for staff increases in certain important areas, e.g., waste management, might not be able to be met by shifting personnel which would be necessary with this ceiling. The FY 1977 ceiling allows no increases over current levels, so hiring could only be done on a replacement basis.

- The President might be subject to criticism on grounds of danger to the public health and safety.

Alt. No. 2 & 3:

Pro: - Employment growth would be phased over 1977 and 1978 to match workload growth.

- The President would be permitting an employment growth of 2% in order to support his nuclear safety and safeguards policy initiatives.

Con: - Smaller reduction in FY 1977 might not support the President's goal of reducing Federal employment this year.

Science and Energy Technology Division
Full-Time Permanent Civilian Employment

	Feb. <u>Budget</u>	<u>Alt. No. 1</u>	<u>Diff.</u>	<u>Alt. No. 2</u>	<u>Diff.</u>	<u>Alt. No. 3</u>	<u>Diff.</u>
National Science Foundation (Feb. 1977 Actual: 1237)							
September 30, 1977	1312	1247	-65	1272	-40	1272	-40
September 30, 1978	1337	1297	-40	1297	-40	1297	-40

Discussion: All three alternatives would reduce September 1978 staffing 40 persons and require the agency to absorb its increasing workload by increasing productivity throughout the agency.

Alt. No. 1:

- Pro: - Moves farthest in the direction of achieving the President's overall employment reduction objectives.
- Agency would have to face squarely the need to streamline procedures, increase the use of data processing and reduce middle-level staffing (agency is top heavy).
- Con: - Does not take into consideration the offers already extended or the routine programmed turnover of scientists on leave from universities.
- Could be viewed by the agency as drastic and might be demoralizing to lower-echelon staff who already see themselves pressed to keep up with increasing workload.

Alts. No. 2 & 3:

- Pro: - Achieves the same FY 1978 objectives as alternative No. 1, but in a phased manner.
- Allows offers already extended to be honored.
- Con: - If not managed properly by NSF, a reduction of this magnitude (3% in 1978) could result in less effort on post-grant monitoring and evaluation--areas needing improvement.

Economics and Government Division
Full-time Permanent Civilian Employment

	<u>February Budget</u>	<u>Alternative No. 1</u>	<u>Difference</u>	<u>Alternative No. 2</u>	<u>Difference</u>	<u>Alternative No. 3</u>	<u>Difference</u>
Department of Transportation (Feb. 1977 Actual: 71,412)							
September 30, 1977	72,774	71,910	-864	72,109	-665	72,129	-665
Military	(38,483)	(37,833)	(-650)	(38,083)	(-400)	(38,083)	(-400)
September 30, 1978	73,991	72,791	-1,200	72,791	-1,200	72,791	-1,200
Military	(38,838)	(38,088)	(-750)	(38,088)	(-750)	(38,338)	(-500)

Discussion:

Alternative No. 1 -- Federal Aviation Administration 1977 reduction will require a decrease (approx. 133) in air traffic control and system maintenance trainees. Coast Guard reduction require a hiring limitation in 1977 and deferral of improvements in facilities support and maintenance. Federal Highway Administration cut of 100 positions in addition to a 95 cut already taken, will necessitate a one for every two hiring limitation in 1977. Other: cuts will delay completion of decentralization of UMTA grant administration. Military reduction would have impact on summer recruiting and long term impact on enforcement of U.S. laws and marine pollution prevention.

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Discussion:

- Alternative No. 2 -- Federal Aviation Administration air traffic control and systems maintenance employees would be exempt from 1977 reduction. In order to reach the 1978 ceiling, projected increases in these areas would be reached by reducing the currently budgeted increase of 1,100 to about 1,000. This alternative provides time for strategy development and would not result in an absolute decrease in air traffic and systems maintenance. Coast Guard hiring limitation would not be required. Deferral of improvements in 1978 would be the same as in No. 1. Federal Highway Administration would allow phasing in of reductions over 2 years. Other: Would permit UMTA decentralization. Military summer recruiting and training would be reduced.
- Alternative No. 3 -- Federal Aviation Administration increase will allow 350 air traffic controller/system maintenance trainees to be hired to meet expected growth in aviation. This alternative will permit growth in Federal Highway Administration and Federal Railroad Administration over 1977 employment levels. Military lower priority activities in port safety, aid to navigation, and headquarter support would be reduced.

Exhibit A

Interstate Commerce Commission
FTP

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
September 30, 1977.....	2142	2102	-40	2102	-25	2102	-30
September 30, 1978.....	2130	2080	-50	2080	-50	2080	-50

Discussion: ICC is presently 53 positions below its 1977 ceiling and could absorb the proposed reductions without undue hardship.

February 1977 Actual: 2089

Exhibit A

Civil Aeronautics Board
FTP

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
September 30, 1977	782	772	-10	782	0	782	0
September 30, 1978	797	782	-15	782	-15	787	-10

Discussion: CAB actual February 1977 FTP employment is at the September 30, 1977 ceiling of 782. Reductions would, therefore, directly impact programs such as regulatory reform initiatives and contribute to increased regulatory lag.

February 1977 Actual: 782

ECONOMICS AND GOVERNMENT DIVISION
Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Department of Commerce (Feb. 1977 Actual: 29,577)							
September 30, 1977	29,850	29,250	-600	29,600	-250	29,600	-150
Spetember 30, 1978	29,815	29,165	-650	29,165	-650	29,415	-400

Discussion:

Alt. #1 - These revisions to the 1977 and 1978 ceilings would have the effect of negating efforts made during the 1978 budget review to correct improper classifications of departmental employees arising out of the years of constrained employment growth. To correct these problems the department was granted an increase of 817 (all but 34 of these conversions have been completed). To achieve these new ceiling levels major reductions in programs would be required which would probably result in terminating many reimbursable activities and opens up the potential for a RIF.

Alt. #2 - These revisions achieve the 1978 planned under Alt. #1, but provide for a level of change in 1977 that would lessen the potential for termination of reimbursable work or a reduction in force (RIF). The 1978 level would, however, continue to severely constrain programs.

Alt. #3 - These revisions represent estimates of programmatically achievable levels which would not seriously impact departmental programs and can be accomplished without terminations of reimbursable programs or a RIF.

ECONOMICS AND GOVERNMENT DIVISION
Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Federal Communications Commission (Feb. 1977 Actual: 2,024)							
September 30, 1977.....	2,100	2,060	-40	2,080	-20	2,080	-20
September 30, 1978.....	2,126	2,076	-50	2,076	-50	2,096	-30

Discussion:

- Alternative 1: Pro: The Agency will be encouraged to accelerate implementation of automatic data processing techniques in application processing.
Con: The Agency may be particularly hard hit for meeting the reduction requirements this year in anticipation of pending requirements in citizens band radio, network inquiries and common carrier accounting and tariff workloads.
- Alternative 2: Pro: This reduction will have less program impact in 1977, a year when the Agency is confronting a heavy workload in common carrier, network, and cable issues.
Con: FY 78 will take the brunt of the reduction requirement.
- Alternative 3: Pro: Same as Alternative 1. In addition, the total reduction as of September 30, 1978 will meet with less opposition from both the Chairman of the House and Senate subcommittees on Communications, who are strong advocates of increased resources for FCC. Also, the trend in Agency on-board strength indicates that FCC program performance levels can accommodate such reductions.
Con: Considerable pressures from the Congress will result even with this reduction.

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	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Small Business Administration (Feb. 1977 Actual: 4,361)							
September 30, 1977.....	4,434	4,339	-95	4,404	-30	4,404	-30
September 30, 1978.....	4,569	4,459	-110	4,459	-110	4,509	-60

Discussion:

Alt. #1 - The revised 1977 ceiling would not reduce the agency's employment level below the 1976 level. The revised 1978 ceiling would permit an increase of 120 positions above the revised 1977 level. The proposed reduction in 1977 would, however, probably require a reduction in force and the total two year reduction could be more appropriately distributed in 1978.

Alt. #2 - The proposed 1977 ceiling could be met by reducing the lower priority programs (i.e., management assistance) which lack strong Congressional support and appropriate program objectives. The proposed 1978 ceiling would, however, preclude increases in staff support for loan making and portfolio management. GAO has been critical of SBA in failing to follow its lending procedures and attributed the shortcoming in part to understaffing.

Alt. #3 - The revised 1977 and 1978 employment ceilings could be met by (1) reducing low priority programs (i.e. management assistance) and (2) precluding the proposed "Account Executive" experiment with minority business programs. The Administration's commitment to support small business programs would not be seriously challenged by the Congress or small business associations. SBA lacks adequate productivity and workload standards for all program activities. This alternative does not provide an incentive for the agency to insure the development of measurable employment standards.

ECONOMICS AND GOVERNMENT DIVISION

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Panama Canal							
(Feb. 1977 Actual: 12,755)							
September 30, 1977.....	13,489	13,489	0	13,489	0	13,489	0
September 30, 1978.....	13,489	13,489	0	13,489	0	13,489	0

Discussion: The Division has recommended that there be no reduction in employment in 1977 or 1978 for the combined operations of the Panama Canal Company and the Canal Zone Government. Increases in traffic at the Canal since February 28 have already caused Canal management to resort to employing current personnel on an overtime basis. Further increases in traffic are expected as a result of the improving world economy and, in early 1978, in conjunction with eastward tanker shipments of Alaskan oil. This latter development may even require an increase in the 1978 ceiling. Finally, the political sensitivity of current negotiations on a new treaty with Panama would indicate that the U.S. ought not to give the appearance that it is permitting the Canal to be operated with decreased efficiency.

ECONOMICS AND GOVERNMENT DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Department of Justice							
(Feb. 1977 Actual: 51,392)							
September 30, 1977	52,413	51,703	-710	51,913	-500	51,913	-500
September 30, 1978	53,847	52,647	-1,200	52,647	-1,200	52,947	-900

Discussion: Staff increases were provided for most major activities, except for the Federal Bureau of Investigation, in both 1977 and 1978. A significant portion of these positions has not been filled. We understand that the Attorney General plans to seek an additional increase of about 300 staff in litigative areas and has discussed an illegal alien enforcement package totaling about 2,000 additional staff with the President.

Alternative No. 1 permits significant growth from current staffing in litigative resources, the Attorney General's highest priority; activation of all new prisons and some increases for the Immigration and Naturalization Service. It permits little or no growth in other areas and requires the FBI to reduce personnel by deferring record automation and cutting back on Freedom of Information Act processing. However, Alternative No. 1 does not permit a number of vacancies to be filled in litigative activities and the Immigration and Naturalization Service in 1977. Since these are high priority areas in the Attorney General's view, the 1977 ceiling reduction will be viewed as draconian.

Alternative No. 2 permits the department to fill, in 1977, an additional 110 vacancies in the offices of the U.S. Attorneys and another 100 vacancies in the Immigration and Naturalization Service. This will reduce the Attorney General's and congressional opposition to the reductions.

Alternative No. 3 requires only slight reduction in the 1978 ceilings for litigative activities and the Immigration and Naturalization Service. Even this will be opposed by the department, which is preparing requests for additional personnel in these areas.

ECONOMICS AND GOVERNMENT DIVISION

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	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Department of Treasury (Feb. 1977 Actual: 106,963)							
September 30, 1977	111,635	108,935	-2,700	109,622	-2,013	110,135	-1,500
September 30, 1978	111,879	109,629	-2,250	109,629	-2,250	110,279	-1,600

Discussion: Alternative 1 would reduce staff by approximately 2.5% but provides for most of the necessary increases above present staffing to implement the Tax Reform Act of 1976 and other programs required by statute. This alternative would require some reductions in taxpayer service, audit, collection and special investigating activities of the Internal Revenue Service and increased processing rates in Customs, which would be resisted by unions.

Alternative 2 would provide some additional resources for the Internal Revenue Service to implement changes in the Tax Reform Act of 1976 and the economic stimulus legislation.

Alternative 3 (1.4% reduction from planned levels) would minimize problems in implementing new tax legislation, reduce congressional and union opposition in a few sensitive areas (particularly Customs), and provide for selective high priority increases. Significant belt-tightening would still be required and some revenue reduction and added overtime would still result.

SECURITIES AND EXCHANGE COMMISSION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Securities and Exchange Commission (Feb. 1977 Actual: 1,887)							
September 30, 1977	2,080	2,042	-38	2,042	-38	2,042	-38
September 30, 1978	2,056	2,026	-30	2,026	-30	2,026	-30

Discussion: Pro: The reduction of 2% in 1977 and 1 1/2% in 1978 should not disrupt the major programs of the Commission. The 1977 reduction should have little adverse effects and might have occurred in any case in order for the Commission to absorb the recent reduction by the Congress in its supplemental appropriation request. In 1978, the reduction could be accomplished through small reductions throughout the Commission. The lower ceilings will permit the hiring of many new employees because the Commission is way below its ceiling. Con: The reductions in 1978 will force the Commission to process increased workload and additional responsibilities (regulation of option trading, corporate disclosure rules) with a smaller staff. Some mild adverse reaction can be expected from the congressional oversight committees in the House.

Exhibit A

FEDERAL DEPOSIT INSURANCE CORPORATION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Federal Deposit Insurance Corporation (Feb. 1977 Actual: 3,283)							
September 30, 1977	3,538	3,476	-62	3,476	-62	3,476	-62
September 30, 1978	3,672	3,599	-73	3,599	-73	3,599	-73

Discussion: The budget and employment of the Federal Deposit Insurance Corporation are not reviewed or controlled by OMB; however, the Corporation has normally complied with Presidential efforts to reduce employment. Therefore, the alternatives assume that the Corporation will wish to participate in the effort and will make reductions equal to the rate throughout the Executive branch.

FEDERAL RESERVE BOARD

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Federal Reserve Board							
(Feb. 1977 Actual: 1,425)							
September 30, 1977	1,518	1,491	-27	1,491	-27	1,491	-27
September 30, 1978	1,518	1,488	-30	1,488	-30	1,488	-30

Discussion: The budget and employment of the Federal Reserve Board are not reviewed or controlled by OMB; however, the Board has been very cooperative in complying with Presidential efforts to reduce employment. Therefore, the alternatives assume that the Board will wish to participate in the effort and will make reductions equal to the rate throughout the Executive branch.

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	<u>Feb..</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
General Services Administration (Feb. 1977 Actual: 34,627)							
September 30, 1977.....	36,050	35,300	-750	35,300	-750	35,300	-750
September 30, 1978.....	36,249	35,549	-700	35,549	-700	35,549	-700

Discussion:

Alt. #1 -

- Pros - Can be accomplished without immediate degradation in services now rendered.
Cons - Over time these reductions will mean no improvement in and possible deterioration in quality of service provided in the following areas: cleaning and guarding within the Public Buildings Service (PBS); PBS review and inspection services; number of audits conducted by the Office of Audits; response time in filling orders in the Federal Supply Service, and effectiveness of emergency planning in the Federal Preparedness Agency.

Alt. #2 -

The same as No. 1 because the services rendered cannot be shifted from one year to another.

Alt. #3 -

The same as No's. 1 and 2 because the services for which GSA is responsible must be provided. We believe that #1 permits delivery at the minimal acceptable level.

ECONOMICS AND GOVERNMENT DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Civil Service Commission (Feb. 1977 Actual: 6725)							
September 30, 1977.....	7031	6870	-161	6870	-161	6906	-125
September 30, 1978.....	7055	6870	-185	6870	-181	6915	-140

Discussion:

Employment increases granted the Commission in 1977 and 1978 were to meet workload increases. The 1978 ceiling is almost level with 1977. Alternative 1 offsets these increases. It represents the deeper of the reduction options considered and is the outside limit which could be absorbed without significant program erosion.

No change is recommended for alternative 2. A deeper cut in 1978 would produce a RIF situation which would be inconsistent in the face of 1978 workload estimates as great or greater than those in 1977.

Alternative 3 represents a somewhat less stringent cut. At this level the Commission still could not cope with expected workload in a number of programs. However, it could hold the line on the deterioration of examining and retirement services where the Commission has the most interface with the general public.

ECONOMICS AND GOVERNMENT DIVISION

Full-time Permanent Civilian Employment

	<u>Feb.</u> <u>Budget</u>	<u>Alt.</u> <u>No. 1</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 2</u>	<u>Diff.</u>	<u>Alt.</u> <u>No. 3</u>	<u>Diff.</u>
Renegotiation Board (Feb. 1977 Actual: 177)							
September 30, 1977.....	200	195	-5	195	-5	200	-0-
September 30, 1978.....	203	198	-5	198	-5	203	-0-

Discussion:

Alternative #1 -

Corresponds to revised levels arrived at during the review session for the Board. This decision will not adversely impact current Board performance since the Board is unable at this time to employ up to ceilings because of resource limitations. The Board can presently staff up to 185 positions with available resources.

Alternative #2 -

This is not particularly relevant to the Board. No immediate impact--therefore no change in recommendation from alternative #1.

Alternative #3 -

Restores Board to prior level as a result of President's commitment to strengthen Board's coverage in space and defense contracts.^{1/}

^{1/} Supplemental and amendment now under review for additional resources to tackle the Board's mounting case backlog.

ECONOMICS AND GOVERNMENT DIVISION
Full-time Permanent Civilian Employment

	<u>Feb. Budget</u>	<u>Alt. No. 1</u>	<u>Diff</u>	<u>Alt. No. 2</u>	<u>Diff</u>	<u>Alt. No. 3</u>	<u>Diff</u>
Office of Management and Budget (Feb. 1977 Actual: 644)							
September 30, 1977.....	672	660	-12	660	-12	672	-0-
September 30, 1978.....	672	659	-13	659	-13	672	-0-
Office of Federal Procurement Policy (Feb. 1977 Actual: *)							
September 30, 1977.....	27	27	-0-	27	-0-	27	-0-
September 30, 1978.....	30	29	-1	29	-1	30	-0-
Council of Economic Advisers (Feb. 1977 Actual: 38)							
September 30, 1977.....	42	42	-0-	42	-0-	42	-0-
September 30, 1978.....	42	42	-0-	42	-0-	42	-0-
White House Office (Feb. 1977 Actual: 485)							
September 30, 1977.....	485	477	-8	477	-8	485	-0-
September 30, 1978.....	460	451	-9	451	-9	460	-0-
Domestic Council (Feb. 1977 Actual: 35)							
September 30, 1977.....	40	39	-1	39	-1	40	-0-
September 30, 1978.....	40	39	-1	39	-1	40	-0-
Council on Wage and Price Stability (Feb. 1977 Actual: 38)							
September 30, 1977.....	53	52	-1	52	-1	53	-0-
September 30, 1978.....	53	52	-1	52	-1	53	-0-
Executive Residence (Feb. 1977 Actual: 77)							
September 30, 1977.....	83	82	-1	82	-1	83	-0-
September 30, 1978.....	83	81	-2	81	-2	83	-0-
Special Assistance to the President (Feb. 1977 Actual: 22)							
September 30, 1977.....	30	29	-1	29	-1	30	-0-
September 30, 1978.....	30	29	-1	29	-1	30	-0-

Discussion: Alternative #1 remains unchanged from original reduction exercise recommendations. These reductions are recommended in light of the President's commitment to make reductions "in house" as well as in executive branch agencies.

Alternative #2 is not particularly relevant to these agencies--no change from Alternative #1.

Alternative #3 would restore tentative reduction plans in light of the following concerns:

- (1) The Executive Office is now undergoing a thorough "employment levels" review in the context of the Executive Office Reorganization project. It may be premature to make cuts per this exercise now when 2 months later the composition, disposition, and aggregate size of these agencies may be drastically altered by the recommendations of this group.
- (2) OMB, CEA, and CWOPS have supplementals and amendments on the Hill now which call for increases in employment ceilings. We believe Congress will raise questions about the firmness of the additional requests if these offices plan to reduce employment now.